

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.: 20-CV-81205-RAR

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**COMPLETE BUSINESS SOLUTIONS
GROUP, INC. d/b/a PAR FUNDING, et al.,**

Defendants.

**NON-PARTY CAPITAL SOURCE 2000, INC. MOTION TO INTERVENE AND
INCORPORATED MEMORANDUM OF LAW**

COMES NOW Non-Party, Capital Source 2000, Inc. (“Capital Source”), by and through his undersigned counsel and pursuant to this Court’s inherent authority, requests that this Court allow for Capital Source 2000, Inc. to intervene. Capital Source 2000, Inc. petitions this Court to further allow for the accounts associated with it to be unfrozen.

**INTRODUCTION AND PROCEDURAL POSTURE
PERTAINING TO CAPITAL SOURCE 2000, INC.**

This Court entered a preliminary injunction as to Defendant Joe Cole Barleta on August 27, 2020 [D.E. 202]. It held that Cole could not do anything in furtherance of what would amount to securities fraud, as well as freeze 5.5 million dollars in assets.

On February 28, 2023, this Court entered an Order releasing Capital Source 2000, Inc. from the Receivership [D.E. 1514]. The SEC in this case, as indicated in this Court’s Order on Docket Entry 1514, did not seek to collect from Capital Source 2000, Inc. As such, the Court Ordered that the Receiver should transfer the assets, including liquid assets, held in City National Bank to Cole’s possessions. Despite the Order giving Receiver 10 days to transfer the funds from February 28, 2023,

the Receiver only transferred the funds on March 16, 2023. From March to June, Capital Source did nothing but attempt to restart the business and pay back noteholders. In fact, at all material times, Capital Source was not a slush fund for Cole, but a real business whose sole goal was to payback Noteholders. Likewise, by including an asset freeze that is so broad, not only does it make it impossible to pay back innocent noteholders, but also puts Bill Bromley, who was not a party to this litigation, potentially personally liable to the various noteholders, along with Cole. It should also be noted, and as will be shown in greater detail below, all of the work that was done by Capital Source was not merely the “brainchild” of Cole, but with the consent and approval of Bill Bromley.

On June 03, 2023, this Court entered an Order Deny Cole’s Expedited Motion for Modification and Judicial Relief pertaining to funds that were frozen attributable to Capital Source 2000, Inc., [D.E. 1580]. The basis of denial was that Cole would need to show a significant change either in factual conditions or in law, and second, that the proposed modification is suitably tailored to the changed circumstance, citing to to *Sierra Club v. Meiburg*, 296 F.3d 1021, 1033 (11th Cir. 2002). It is believed that Cole demonstrated a change in factual conditions because the Receiver and the SEC, with this Court’s approval, not only returned Capital Source 2000, Inc so that it could continue to do business, but also returned over two million dollars in cash. Ultimately, the Court ultimately did not agree with Cole. From that point on, Cole filed his appeal, while at the same time attempted to work with the SEC so that they may agree to extinguish the asset freeze pertaining to Capital Source 2000, Inc.

CAPITAL SOURCE ATTEMPTED TO WORK WITH THE SEC

After this Court denied Cole’s motion pertaining to Capital Source 2000, Inc., Capital Source 2000, Inc. attempted to work with the SEC. In furtherance of that, there were several conferences on Webex. The culmination of these conferences was that Cole agreed to sit for a deposition pertaining to Capital Source.

In turn, Cole sat for a four-hour deposition and answered a series of questions. It should be

noted that the Receiver was invited to this deposition, but shoes not to attend. The Receiver was given the Zoom link, and counsel for Cole articulated in Open Court that there was no objection to the Receiver asking questions. As such, this was a deposition of Cole regarding Capital Source 2000, Inc.

Q. So CS 2000 is how I'll just refer to it most of the time probably. Who formed CS 2000?

A. The company was formed by William Bromley.

Q. And who is William Bromley?

A. William Bromley is my business partner in the company.
(Dep. Tran. Cap. Source. Pg. 15; ln. 18-24)

Q Sure.

A I said the company was formed in Pennsylvania. It was actually done in Delaware originally when Bill created the company, but it was doing business in Pennsylvania for the bulk of its life, and then it was re-domiciled in Delaware as far as the place of business, the principal place of business this year.
(Dep. Tran. Cap. Source. Pg. 18; ln 6-13).

Q And when you first joined, what was your title?

A My title was Chief Financial Officer.

Q And has that changed since 2016?

A Yes. I'm currently the President of the business.

Q When did you become the President?

A After we were returned -- received the company back from the receiver this year.

(Dep. Tran. Cap. Source. Pg. 20; ln. 18-25; Pg. 21; ln 1).

HOW THE, NOW, FROZEN ASSETS WERE USED

During the deposition, Cole specifically went on to say how the money was used, and whether he, personally, had any financial gain from the company.

Q Well, and what funds were turned over at the end of March?

A There was, approximately, two million dollars worth of business.

Q And is that the -- are you talking about the funds that are in the frozen account?

A. Yes. That's still the same money, yes.

Q And that's at -- what bank is that at?

A The funds are currently held at United Savings Bank in Philadelphia.
(Dep. Tran. Cap. Source. Pg. 21; ln. 16-25).

First of all, some of the money was used to pay for in-house counsel (compliance counsel), collections counsel, and a non-attorney associate for the purposes of collections

Q. Does the company have any employees?

A No longer. We had a couple before the whole frozen account issue.

Q And who were the employees?

A I retained third-party counsel for collections, and I had a collections person hired.

Q Who was that person?

A. That person's name is Kiandra Manlov.

(Dep. Tran. Cap. Source. Pg. 22; ln. 11-18).

Next, although there is a judgment against Cole in this case, there is no judgment against Capital Source 2000, Inc. Cole, individually, has never received any money as a salary or income distribution from Capital Source 2000, Inc. since it was returned back from the Receiver.

Q And so I'm going to ask about you. What money have you received from the entity since it's been received from the receivership?

A Monies I received were to the tune of reimbursements for costs that I paid for, you know, office supplies, mailings, that kind of routine business stuff.

Q But no -- no salary?

A I do not have a salary or profit distribution from the business, no.

(Dep. Tran. Cap. Source. Pg. 37; ln. 2-11).

The following are debts of Capital Source 2000, Inc., with the largest ones being Actum Processing and ConvergeHub

Q I'll ask some -- what is Actum Processing? What is Actum?

A Actum Processing is an ACH processor the company uses.

Q And then ConvergeHub, what does ConvergeHub -- what does that do for the entity?

A ConvergeHub is an entity platform that we use to host documents on.

Q What type of documents are hosted?

A The MCA documents, the same ones that the receiver used.

(Dep. Tran. Cap. Source. Pg. 50; ln. 6-16)

The debts of the company is Cole's bookkeeping company Helliz Abbwal, which has a monthly payment of \$7,500.00. This is necessary because Helliz Abbwal performs bookkeeping functions of the company at a substantially reduced rate for what it does on a monthly basis.

Q And this is -- is this your bookkeeping company, Helliz Abbwal?

A Yes.

Q And that seventy-five hundred is a fee for bookkeeping?

A Yes.

Q So what sort of bookkeeping work does the entity do for CS 2000?

A I'm not sure I understand what you mean by that.

Q Well, what services does it provide for the company?

A Bookkeeping services, keeping track of books, reconciling bank statements, anything relating to financial matters of the business that it needs to keep track of.
(Dep. Tran. Cap. Source. Pg. 54; ln. 2- 17)

Q How did the company retain Helliz Abbwal?

A It's my business, so I hired myself. Bill and I said that we need people to operate and run the business, and we're not working in it directly, so I retained it, my own company.

(Dep. Tran. Cap. Source. Pg. 54; ln. 21-15)

Q Is it still performing bookkeeping services?

A Yeah. Now I'm doing it, including – just so to get into it a little bit, after the accounts were frozen, I still had employees to pay, the collector to pay, people working on the business, and I still paid for it out of pocket, my own money, in order to continue servicing the company until we ultimately gave up, and, unfortunately, I had to hire -- I had to terminate some people, specifically the employee I said earlier, Kiandra Manlov, who was doing collections work for the business.

(Dep. Tran. Cap. Source. Pg. 55; ln. 12-23).

Another debt of the company was for compliance counsel, Mr. Andre G. Raikhelson, Esq. in the amount of \$15,000.00. This payment was solely for his work within Capital Source 2000, Inc., and was not for Defendant Cole in this instant case. Likewise, there are payments of \$5,000.00 to Norm Valz, which is collections counsel also used by the Receiver.

Q And there's a check there for fifteen thousand for Counsel?

A Yes.

Q Are they fees for the entity?

A Yes.

(Dep. Tran. Cap. Source. Pg. 52; ln. 24-25; Pg. 53; ln. 1-3).

Q Okay. One of those checks was a – check payments to my office, Law Offices of Andre Raikhelson. What was -- was the scope of your representation by the Law Offices of Andre Raikhelson for the purposes of those checks limited to work that the Law Offices of Andre Raikhelson did for Capital Source 2000, or was it extended towards any other litigation?

MR. ROESSNER: Objection to form.

BY MR. RAIKHELSON:

Q You can answer.

A It was for work with Capital Source 2000 exclusively.

Q Okay. That payment didn't cover any other litigation, correct?

A That's correct.

(Dep. Tran. Cap. Source. Pg. 101; ln. 23-25; Pg. 102; ln. 1-13).

Q And before you mentioned that -- that you were being reimbursed by the entity. Is this check for four forty-nine, is that reimbursement you had received?

A Yes, that's exactly right.

Q There's a check for five thousand dollars. Do you see that on April 25th?

A I can't make it out. It's too small.

Q I'll make it a little bigger.

A Yes.

Q And it's for Norman Valz?

A That's correct.

Q Who is Norman Valz?

A He's an attorney.

(Dep. Tran. Cap. Source. Pg. 53; ln. 4-17)

As such, it can be seen that the vast majority of payments went to paying back noteholders, and expenses for running Capital Source 2000, Inc. In no way did Capital Source 2000, Inc. ever pay Cole a salary or an income distribution. Moreover, Capital Source was always well-advised Mr. Bromley, at all material times, managed communications with these noteholders during the period of time before the company was taken over by the receiver. In addition to working with Undersigned Counsel and Mr. Valz, Mr. Bromley hired Klehr Harrison Harvey Branzburg LLP to represent the company.

Ultimately, the premise of freezing the operations of Capital Source is unfounded because Capital Source 2000, Inc. is not paying Cole or Mr. Bromley anything, nor is Capital Source 2000,

Inc. an alter ego of Cole or Mr. Bromley. The only money that went to Cole was the reimbursement of expenses.

Going to any argument of alter ego, all decisions, even the decision to hire Helliz Abbwal, was done with the consent of Bill Bromley.

Q Okay. And whose decision was it to hire [Helliz Abbwal]?

A Bill and I discussed overall strategy with the business and costs and operations going forward, especially with consideration to repaying note holders so we agreed to hiring my entity to do that work along with the other decisions made.

Q Well, if another entity was hired, would agree with me those other entities would be substantially more expensive?

A Yeah. Yeah. I mean, they're, basically, getting the house discount, if you will, as far as the work being performed given the inordinate amount of time the company is spending and I'm personally spending on trying to get this thing back in order to repay note holders. So, yes, that's a lot lower than what a normal accounting firm or accountant would charge to run the business.

Yes. The Idea Is that we're trying to minimize operations expense and any cost for the business to reasonably get back in shape, so we can run the business to collect payments for the furtherance of payments to note holders.

(Dep. Tran. Cap. Source. Pg. 102; ln. 21-15; Pg. 103; 1-25; Pg. 104; ln 1- 14).

PREJUDICE TO THE NOTEHOLDERS AND TO THE BUSINESS

A. Capital Source Cannot do Basic Accounting Because of the Asset Freeze

Because the bank accounts are frozen, Capital Source 2000, Inc. cannot operate its business, cannot perform accounting work, and cannot pay noteholders. This is clear from the testimony.

Q When it -- so during the receivership, you're not sure if it's filed returns. And I suppose you're working on -- next year's return will be worked on in 2024.

A Well, I mean, this is part of the issue with the frozen account. I did speak to a couple of CPAs that were interested in working with us. We were going back and forth. You know, the company doesn't have liquid funds to be hiring tax accountants to do this work, so it's kind of on me and Bill right now to work around that. There is a substantial amount of accounting required that's sort of been stalled because of the frozen accounts issue. I was intending on hiring more accountants and to -- and, obviously, third-party CPAs to help us reconcile it. Because when I got the books back, just on my cursory review of the financials, there was a lot of -- let's just call it a little bit of a mess in the accounting system that required reconciliations, including bank accounts that weren't -- that were closed that still have balances listed on the balance sheet, for example, receivables, and all sorts of adjustments required to be

made on the balance sheet. So it wasn't something that was ready to be filed as far as a tax return. We didn't get a clean set of books from the receiver.
(Dep. Tran. Cap. Source. Pg. 24; ln. 9-25; Pg. 25 ln. 1-9).

B. Capital Source Cannot Bring in Any Money Or Pay Back Noteholders Because of the Asset Freeze

Q And currently, what's the business of CS 2000?

A Currently, it's in the business of cleaning up the mess from the receiver and trying to get note holders repaid.

Q And has it received any funds since the receivership has closed?

A Yes. We had a couple of client payments come in.

Q And where were those funds sent?

A I believe they were mailed to Bill's address, and we attempted to have more payments

collected, but, again, the bank accounts have been frozen.

Q So the payments that were submitted, where were they sent?

A I believe they were sent to Bill.

Q I'm sorry. Where were they deposited?

A They were not deposited. The wire that -- for example, I got a payoff wire from one of

collections files for about twelve thousand dollars, and it got rejected by the bank because it was after this freeze was put in place, so we were unable to collect those fund from the clients that owe us money.

Q And the funds that were sent to Mr. Bromley, what happened to those payments?

A I believe he still has the checks.

(Dep. Tran. Cap. Source. Pg. 41; ln. 7-25; pg. 42; ln. 1-8).

Q Okay. Because of the asset freeze, can Capital Source pay any of its note holders?

A No, we're unable to pay our note holders.

Q Had the asset freeze not entered into place, would Capital Source have been both able to collect from its clients and pay its note holders?

THE WITNESS: Yes, we would have been able to. We were continuing to up until the freeze.

(Dep. Tran. Cap. Source. Pg. 101, ln. 20-25; pg. 102, 1-11)

C. What Would Capital Source Do With Unfrozen Funds?

Finally, Cole testified what he would do if the funds would be unfrozen.

Q The frozen funds, what would happen to the frozen funds if the asset freeze were lifted?

A We would resume operations. I would make up for the payments missed to note holders under the agreements we have with them. That would be our priority for use of those funds. The second use of the funds would go towards resuming reconciliation and accounting so we can get those tax returns due next month filed and get that all up to speed. And then we'd take it from there, as far as, you now, servicing the rest of the receivables, collecting on the existing debts. And, again, it's been difficult and we're in an awkward position with our clients because a lot of them have been willing to pay us for the last couples of months, and we haven't been able to receive those monies from them. So I'm sure some of the monies will be well spent in either rehiring collections personnel or just resuming where we left off in those negotiations, so that week can end up with more money from the outstanding MCA receivables still owed.
(Dep. Tran. Cap. Source. Pg. 76; ln. 5-25).

As can be seen, Capital Source 2000, Inc. has all intention to paying Noteholders, and to resume operations, and not for the self-enrichment of Cole. Wherefore, there is no reason to continue to freeze the capital accounts of Capital Source 2000, Inc.

MEMORANDUM OF LAW

A. Intervention Is Proper

Rule 24 of the Federal Rules of Civil Procedure provides that the Court **must** permit someone to intervene who brings a timely motion and who claims an interest relating to the property or transaction that is the subject of the action, and is so situated that disposing of the action may as a practical matter impair or impede the movant's ability to protect its interest, unless existing parties adequately represent that interest. *Quantum Communs. Corp. v. Star Broad., Inc.*, No. 05-21772-CIV, 2009 U.S. Dist. LEXIS 92868, 2009 WL 3055371 (S.D. Fla. Sept. 14, 2009).

To establish a right to intervene under Fed. R. Civ. P. 24, the prospective intervenor must establish: "1) that the application to intervene is timely; 2) that the intervenor has an interest relating to the property or transaction that is the subject of the action; 3) that the intervenor is situated so disposition of the action, as a practical matter, may impede or impair his ability to protect that interest; and 4) that the intervenor's interest is not adequately represented by the

existing parties to the suit.” *Id.* (citing *Purcell v. BankAtlantic Financial Corp.*, 85 F. 3d 1508, 1512 (11th Cir. 1996)).

The Motion to Intervene is timely because, even though the funds were frozen for some time already, Capital Source 2000, Inc. and Cole were actively working with the SEC in an attempt to enter into an agreement. There were several Webex Conferences before the deposition, a voluntary deposition of Capital Source 2000, Inc., and at least one Webex Conference post-deposition that were used as meet and confers before filing this instant motion.

Second, Capital Source has an interest relating to the property or transaction that is subject to the action because it is with this Court’s order, as well as the actions of the Receiver, that the accounts for Capital Source 2000, Inc. is frozen. Third, the intervenor is situated in such a position that if the Court does not make a determination as to the merits of its claim, not only does it impede the ability for Capital Source 2000, Inc. to operate, but it also impedes Capital Source 2000, Inc. to pay back noteholders under the agreements it has with them. As such, freezing the accounts, at this point for no viable reason, places Capital Source 2000, Inc. in legal jeopardy, and further makes it impossible to collect on merchant cash advances or pay back its noteholders, which are also innocent individuals.

Finally, the intervenors interest is not adequately represented because the bank accounts that were frozen belong to no other entity than Capital Source 2000, Inc., and only Capital Source 2000, Inc. may litigate and make claim to funds that belongs to it.

There is no allegation, nor is there any proof, of self-enrichment by Cole or that Capital Source 2000, Inc. is an alter ego of Cole.

B. An Asset Freeze of a Non-Party is Fundamentally Improper.

There is no doubt that Cole does not solely control Capital Source 2000, Inc., nor is Capital Source 2000, Inc. a party to the SEC’s action. Because Capital Source 2000, Inc. is a non-party, an asset freeze that extends to it has different elements than it would as be applicable to Cole. "A federal

court has the authority to freeze the assets of a party not accused of wrongdoing where that party: '(1) has received ill-gotten funds; and (2) does not have a legitimate claim to those funds." *SEC v. Wylly*, 73 F. Supp. 3d 315, 321 (S.D.N.Y. 2014). Likewise, as mentioned previously, Mr. Bromley faces serious concerns of being held liable to the noteholders, despite not being a subject to any litigation concerning Cole or Capital Source 2000, Inc. at this point. From a non-legal point of you – there should not be an asset freeze over an entity that did nothing wrong, and which was returned to Bill Bromley and Joe Cole from the Receivership.

In our case, we know one-hundred percent that the assets in question, specifically cash, were not ill-gotten because they were returned to Cole and Bromley by this Court and with the consent of both the SEC and the Receiver. Moreover, Capital Source 2000, Inc. has a legitimate claim to the funds. See also *SEC v. Cross Fin. Servs.*, 908 F. Supp. 718, 726 (C.D. Cal. 1995)(A court can obtain equitable relief from a non-party against whom no wrongdoing is alleged if it is established that the non-party possesses illegally obtained profits but has no legitimate claim to them. . .).

Moreover, the Eleventh Circuit has held in *FTC v. Vylah Tec Ltd. Liab. Co.*, 727 F. App'x 998, 1002 (11th Cir. 2018)

“that the district court did not make sufficient factual findings to support freezing these assets. While the court stated in the TRO that Appellees had "sufficiently shown that. . . Dennis . . . [has] engaged in and [is] likely to engage in acts and practices that violate [the FTCA and FDUTPA]," the court did not find that Dennis gained anything from the allegedly unlawful practices.

Similarly, the district court made no findings as to Olga's involvement, if any, in the alleged scheme, nor did it explain why **assets** she holds jointly with Robert are subject to a **freeze** regardless of whether she was involved.”

In our case, there is no allegation that Capital Source 2000, Inc. is an alter ego of Cole, nor are there any allegations of Capital Source 2000, Inc.'s involvement with any alleged scheme involved by any of the Defendants, including Cole, or non-parties (meaning Bill Bromley).

As such, Capital Source 2000, Inc. is not only entitled to intervene, but also entitled to an Order dissolving/modifying the asset freeze so that Capital Source 2000, Inc. can resume operations.

DATED: October 24, 2023

Respectfully submitted,

By: Law Offices of Andre G. Raikhelson, LLC.
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/s/ Andre G. Raikhelson
Andre G. Raikhelson, Esq.
Bar Number: 123657

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was served to all counsel of record through the CM/ECF system.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE)	
COMMISSION,)	
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Plaintiff,)	
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vs.)	CASE NO.:
)	20-CV-81205-RAR
COMPLETE BUSINESS SOLUTIONS)	
GROUP, INC. d/b/a PAR)	
FUNDING, et al.,)	
)	
Defendants.)	

VIDEOTAPED DEPOSITION OF
RULE 30 (b) (6)
CAPITAL SOURCE 2000, INC.
BY JOSEPH BARLETA COLE
WEDNESDAY, SEPTEMBER 20, 2023
VIA VIDEOCONFERENCE

Reported by:
Brigitte Rothstein,
Stenographer
JOB NO. 230920BGR

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	CASE NO.:
)	20-CV-81205-RAR
COMPLETE BUSINESS SOLUTIONS)	
GROUP, INC. d/b/a PAR)	
FUNDING, et al.,)	
)	
Defendants.)	

Videoconferenced videotaped deposition of Rule 30(b)(6) CAPITAL SOURCE 2000, INC., BY JOSEPH BARLETA COLE, taken on behalf of the Plaintiff, beginning at 10:02 a.m. and ending at 2:03 p.m., on Wednesday, September 20th, 2023, before Brigitte Rothstein, Stenographer Court Reporter.

1 APPEARANCES:

2 For the Plaintiff:

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1 Wednesday, September 20, 2023

2 10:02 a.m. - 2:03 p.m.

3 --oOo--

10:03 4 THE VIDEOGRAPHER: We are on the record.

10:03 5 This is a video recorded deposition of 30(b)(6)

10:04 6 Capital Source 2000, Inc., representing is Joseph

10:04 7 Cole in the matter of Securities and Exchange

10:04 8 Commission versus Complete Business Solutions Group,

10:04 9 Inc., et al., Case Number 20-CV-81205-RAR. This

10:04 10 deposition is being held remotely by Webex

10:04 11 videoconferencing. Today's date is September 20th,

10:04 12 2023. The time is now 10:02 a.m. Eastern Time.

10:04 13 My name is Nancy Holmstock, Video

10:04 14 Specialist with Gradillas Court Reporters located at

10:04 15 400 North Brand Boulevard, Suite 950, Glendale,

10:04 16 California 91203.

10:04 17 For the record, Counsel, please be

10:04 18 advised that by the SEC request and in the CFR

10:04 19 federal rules, this will be a witness only in-frame

10:04 20 video recording.

10:05 21 Will Counsel and all present please

10:05 22 identify yourselves for the record starting with the

10:05 23 taking attorney followed by the Court Reporter

10:05 24 administering the oath.

10:05 25 MR. ROESSNER: Hi. This is Mike

10:05 1 Roessner from the United States Securities and
10:05 2 Exchange Commission.

10:05 3 MR. RAIKHELSON: Andre Raikhelson. I
10:05 4 represent Capital Source 2000 for the purposes of
10:05 5 this deposition.

10:05 6 THE COURT REPORTER: Go ahead and raise
10:05 7 your right hand, Mr. Cole.

10:05 8 Do you swear or affirm that the
10:05 9 testimony you're about to give is the truth, the
10:05 10 whole truth, and nothing but the truth?

10:05 11 THE WITNESS: Yes, I do.

10:05 12 WHEREUPON:

10:05 13 JOSEPH BARLETA COLE

10:05 14 having been first duly sworn, was examined and
10:05 15 testified as follows:

10:05 16 THE COURT REPORTER: Thank you.

10:05 17 EXAMINATION

10:05 18 BY MR. ROESSNER:

10:05 19 Q Good morning, Mr. Cole.

10:05 20 A Good morning.

10:05 21 Q My name is Mike Roessner, and as I
10:05 22 mentioned, I'm an attorney with the SEC, and I'm going
10:05 23 to take CS 2000's deposition today, and you have been
10:05 24 identified as the representative, correct?

10:05 25 A That's correct.

10:06 1 Q I'm going to go through just some basic
10:06 2 deposition guidelines, and then we'll jump in.

10:06 3 So do you understand you're under oath and
10:06 4 that oath is the equivalent of testifying in front of a
10:06 5 judge?

10:06 6 A Yes.

10:06 7 Q And you're to testify truthfully, correct?

10:06 8 A Of course.

10:06 9 Q And the Court Reporter is going to take
10:06 10 everything down for purposes of preparing a transcript,
10:06 11 which you must sign later. Okay?

10:06 12 A Okay.

10:06 13 Q Now, during the deposition, particularly
10:06 14 in this video environment, if I ask a question, if you
10:06 15 don't understand, you need me to rephrase, just say so,
10:06 16 and I'll try to rephrase. Okay?

10:06 17 A Okay.

10:06 18 Q Now, if -- and during the deposition, make
10:06 19 sure you verbally answer. Okay?

10:06 20 A I will.

10:06 21 Q During the deposition, if you need a
10:06 22 break, let me know. If a question is pending, we may
10:06 23 want to address that question, but just let me know if
10:06 24 you need a break, and we'll certainly try to work on
10:07 25 that. Okay?

10:07 1 A Okay. I will.

10:07 2 Q Do these ground rules make sense?

10:07 3 A Yes, they do.

10:07 4 Q Sure.

10:07 5 Now, have you ever had your deposition
10:07 6 taken before?

10:07 7 A Yes, I have.

10:07 8 Q And when was that?

10:07 9 A A few times. A couple when I was running
10:07 10 the business before 2020 and a few times during the
10:07 11 course of this case.

10:07 12 Q Outside of this matter, have you been
10:07 13 deposed?

10:07 14 A Yes.

10:07 15 Q And when? When's the most recent time you
10:07 16 were deposed?

10:07 17 A Oh, it would have to be back in 2020 or
10:07 18 '19. I don't recall specifically.

10:07 19 Q Do you recall what it was -- what the
10:07 20 deposition was about?

10:07 21 A It was in regards to some CBSG business
10:07 22 matters with litigation with merchants.

10:07 23 Q Okay.

10:08 24 Have you had any alcohol or are you on any
10:08 25 medication today that will impair your ability to

10:08 1 understand my questions and testify truthfully?

10:08 2 A No.

10:08 3 Q Any questions before we start?

10:08 4 A No, I'm good. Thank you.

10:08 5 Q So as I mentioned at the outset, this is a

10:08 6 Rule 30(b)(6) deposition and will cover matters in the

10:08 7 notice. Are you prepared -- have you seen the notice?

10:08 8 A Yes, I have seen the notice.

10:08 9 Q And are you prepared to answer questions

10:08 10 on each of the identified topics?

10:08 11 A Yes, I am.

10:08 12 Q So since you've been deposed before, you

10:08 13 probably know, during the deposition, we may use

10:08 14 exhibits and documents that we'll try to get in front

10:08 15 of you and ask some questions. So I'm going to start

10:08 16 with two exhibits, which I'll -- I'll publish my

10:08 17 screen, and, hopefully, you'll be able to read it.

10:08 18 So Exhibit 1 will be the subpoena to

10:09 19 testify today. I'm going to mark this as Exhibit 1.

10:09 20 And we'll just see how this -- make sure this -- make

10:09 21 sure it works.

10:09 22 (SEC Exhibit 1 was marked for

10:09 23 identification.)

10:09 24 THE WITNESS: Okay. Sure. I'll let you

10:09 25 know if I can read it.

10:09 1 BY MR. ROESSNER:

10:09 2 Q Exactly. And just feel free if I have to
10:09 3 make it a little bit bigger.

10:09 4 A I should be able to make it bigger on my
10:09 5 end. Yeah, that's fine. That's legible to me.

10:09 6 Q And this is -- do you see the document?

10:09 7 A Yes.

10:09 8 Q And this is the subpoena for Capital
10:09 9 Source 2000, Inc. to testify today, correct?

10:09 10 A The subpoena to testify civil deposition,
10:09 11 yes, for Capital Source.

10:09 12 Q Okay.

10:09 13 I'm going to mark as Exhibit 2, this is
10:09 14 the Notice of the Videotaped Deposition of Capital
10:09 15 Source 2000, Inc. Do you see that?

10:09 16 (SEC Exhibit 2 was marked for
10:09 17 identification.)

10:09 18 THE WITNESS: Yes, I do see that.

10:09 19 BY MR. ROESSNER:

10:09 20 Q And you've seen both of these documents?

10:09 21 A I have not seen the subpoena, but I've
10:09 22 seen the notice for deposition.

10:10 23 Q Okay.

10:10 24 MR. RAIKHELSON: Are those the only two
10:10 25 exhibits that you intend on showing today?

10:10 1 MR. ROESSNER: No. I'll publish them as
10:10 2 we go along. So these are the -- when I publish
10:10 3 them, they go into the published folder.

10:10 4 BY MR. ROESSNER:

10:10 5 Q And so, Mr. Cole, I just want to go
10:10 6 through the matters. Each of them are listed one
10:10 7 through seven. Creation and funding of CS 2000, are
10:10 8 you prepared to testify on that topic?

10:10 9 A Yes.

10:10 10 Q And decision-making persons or procedures
10:10 11 for CS 2000?

10:10 12 A Yes.

10:10 13 Q Owners and --

10:10 14 MR. RAIKHELSON: Let me just make a
10:10 15 standing objection. A standing objection as asked
10:10 16 and answered. My client has already testified he's
10:10 17 prepared to answer every single one of those topics,
10:10 18 but --

10:10 19 MR. ROESSNER: Sure.

10:10 20 BY MR. ROESSNER:

10:10 21 Q And so I was asking about owners and
10:10 22 beneficiaries of CS 2000, you're prepared to testify on
10:10 23 that topic?

10:10 24 A Yes.

10:10 25 Q And the sources of the frozen funds?

10:10 1 A Yes.

10:10 2 Q Distributions or payouts by CS 2000?

10:10 3 A Yes.

10:10 4 Q Loans made or received by CS 2000?

10:11 5 A Yes.

10:11 6 Q And the sources of funds received by CS

10:11 7 2000?

10:11 8 A Yes.

10:11 9 Q Okay.

10:11 10 So -- sorry. Okay.

10:11 11 MR. ROESSNER: Did Mr. Cole just drop

10:11 12 off?

10:11 13 THE WITNESS: No, he's still on.

10:11 14 MR. ROESSNER: Andre, are you still

10:11 15 there?

10:11 16 MR. RAIKHELSON: Yeah, I'm here. I just

10:11 17 moved to my phone because it's easier.

10:11 18 MR. ROESSNER: Oh, okay. Okay. Sorry.

10:11 19 When I hear a beep, it means somebody's

10:11 20 come on or come off, and I just want to make sure we

10:11 21 didn't lose Counsel or the Witness. Okay. We just

10:11 22 have you sideways, but that's okay.

10:11 23 MR. RAIKHELSON: It should be good.

10:11 24 THE WITNESS: There you go.

25

10:11 1 BY MR. ROESSNER:

10:11 2 Q I just want to ask you a few questions.

10:11 3 Have you -- Mr. Cole, getting ready for the deposition
10:12 4 today, how did you prepare for this deposition?

10:12 5 A I reviewed that -- what you just showed
10:12 6 me, and then I discussed some matters with my attorney.

10:12 7 Q Did you review any documents in
10:12 8 preparation for the deposition besides the notice?

10:12 9 A No.

10:12 10 Q And when did you review?

10:12 11 A When did I review?

10:12 12 Q When did you prepare?

10:12 13 A Oh. What was it? Last week on Friday or
10:12 14 Thursday. I don't remember specifically, but around
10:12 15 then.

10:12 16 Q Okay.

10:12 17 So, Mr. Cole, this is a 30(b)(6)
10:12 18 deposition of CS 2000, as we just went through, and the
10:12 19 topics that I just mentioned are the outline of what
10:12 20 we're going to go through. Okay?

10:12 21 A Okay.

10:12 22 Q Now, this is -- the SEC has a judgment
10:12 23 against you personally. Are you aware of that?

10:12 24 A Yes.

10:12 25 Q And this deposition is taken in pursuant

10:12 1 of the collection of that judgment. Okay?

10:12 2 A Okay.

10:13 3 MR. RAIKHELSON: Well, Counsel, let me
10:13 4 object to that. The SEC has stipulated and the --
10:13 5 and Judge Ruiz has signed that the SEC does not
10:13 6 intend to pursue collections against Capital Source.
10:13 7 So although I understand that this is -- this can
10:13 8 only be couched as a deposition in furtherance of
10:13 9 execution because that's the only way that you'd be
10:13 10 able to depose Capital Source in this case, I just
10:13 11 want it clear for the record, our position is that
10:13 12 the order that Judge Ruiz entered into is a valid
10:13 13 order in that there was never any superseding order,
10:13 14 and there was no collections effort that should be
10:13 15 done against Capital Source, but you may proceed.

10:13 16 You can answer the question, Mr. Cole.

10:13 17 MR. ROESSNER: For the record, the
10:13 18 Commission, obviously, disagrees with that, portions
10:13 19 of that, but that's not appropriate for us to discuss
10:13 20 now.

10:13 21 And if you can read back the question.
10:13 22 I'm not sure if there was one pending.

10:13 23 THE COURT REPORTER: One second.

10:14 24 MR. RAIKHELSON: I believe the question
10:14 25 was: Do you understand that this is a deposition in

10:14 1 aid of execution?

10:14 2 (Whereupon, the Court Reporter read back
10:14 3 the question.)

10:14 4 MR. RAIKHELSON: Same objection.

10:14 5 You can answer.

10:14 6 THE WITNESS: Okay. I understand what
10:14 7 you're saying, yes.

10:14 8 BY MR. ROESSNER:

10:14 9 Q Okay. So I want to go through the
10:14 10 formation and structure of CS 2000. Okay?

10:14 11 A Sure.

10:14 12 Q Who formed -- and is it okay if I --
10:14 13 during the deposition, if there's any confusion, I'm
10:14 14 going to refer to the entity either as the entity or CS
10:14 15 2000 or the company. If there's ever confusion on your
10:14 16 part, just please let me know. Okay?

10:14 17 A Will do.

10:14 18 Q So CS 2000 is how I'll just refer to it
10:14 19 most of the time probably.

10:15 20 Who formed CS 2000?

10:15 21 A The company was formed by William Bromley.

10:15 22 Q And who is William Bromley?

10:15 23 A William Bromley is my business partner in
10:15 24 the company.

10:15 25 Q Where does he reside?

10:15 1 A He lives in Naples, Florida.

10:15 2 Q When was it formed?

10:15 3 A I believe it was in 2015.

10:15 4 Q Where was it -- where was the entity
10:15 5 formed?

10:15 6 A It was formed in Pennsylvania.

10:15 7 Q When it was formed in 2015, did it have a
10:15 8 principal place of business?

10:15 9 A I believe Bill used his address, his
10:15 10 personal address in Pennsylvania.

10:15 11 Q And do you know the address?

10:15 12 A Not off the top of my head, no.

10:15 13 Q When it was formed, who were -- were there
10:15 14 other individuals associated with the entity?

10:16 15 A Yes.

10:16 16 Q Who were they?

10:16 17 A Bill's wife, Lynn.

10:16 18 Q And what was her role with the company?

10:16 19 A I believe she was just a beneficiary. She
10:16 20 didn't have any involvement in the company.

10:16 21 Q Was she a shareholder, or did she --

10:16 22 A Yes, she was a shareholder.

10:16 23 Q A certain percent -- what percentage did
10:16 24 she own?

10:16 25 A I don't recall.

10:16 1 Q And what was the purpose of the company?

10:16 2 What did it do in 2015?

10:16 3 A The purpose of the company was to fund and
10:16 4 service merchant cash advance deals.

10:16 5 Q Did it have a parent company?

10:16 6 A No.

10:17 7 Q And the structure, what's the structure of
10:17 8 the entity?

10:17 9 A It --

10:17 10 MR. RAIKHELSON: Objection. Hold on.

10:17 11 Wait. Hold on, Joe, one second.

10:17 12 Objection. The question is vague.

10:17 13 What's the structure of the entity when it was

10:17 14 formed? What's the structure the entity as it is

10:17 15 today? I don't -- the question was vague.

10:17 16 MR. ROESSNER: Yeah. I'll rephrase.

10:17 17 BY MR. ROESSNER:

10:17 18 Q When it was formed in 2015, how was it
10:17 19 formed?

10:17 20 A I'm actually not sure on how it was formed
10:17 21 originally, but it ended up being a C corp.

10:17 22 Q Is it still registered in Pennsylvania?

10:17 23 A No.

10:17 24 Q Where -- where is it registered now?

10:17 25 A It's now domiciled in Delaware.

10:17 1 Q And when did that change?

10:17 2 A When we received the company back earlier
10:17 3 this year.

10:18 4 Sorry. Let me correct something now that
10:18 5 you're kind of jogging my memory.

10:18 6 Q Sure.

10:18 7 A I said the company was formed in
10:18 8 Pennsylvania. It was actually done in Delaware
10:18 9 originally when Bill created the company, but it was
10:18 10 doing business in Pennsylvania for the bulk of its
10:18 11 life, and then it was re-domiciled in Delaware as far
10:18 12 as the place of business, the principal place of
10:18 13 business this year.

10:18 14 Q So presently where is it registered? It's
10:18 15 registered in Delaware now today?

10:18 16 A Yes. Correct.

10:18 17 Q Okay.

10:18 18 Has the principal place of business -- I
10:18 19 think you said initially it was in Florida. And where
10:18 20 is the principal place of business today?

10:18 21 A No. It was originally in Pennsylvania --

10:18 22 MR. RAIKHELSON: Objection.

10:18 23 THE WITNESS: I'm sorry, Andre. Go
10:18 24 ahead.

10:18 25 MR. RAIKHELSON: Yeah, Joe, please let

10:18 1 me get objection out.

10:18 2 Objection. Misstates Witness's

10:19 3 testimony as to it being in Florida.

10:19 4 BY MR. ROESSNER:

10:19 5 Q You can answer.

10:19 6 A Can you restate the question?

10:19 7 Q Sure.

10:19 8 I thought you testified that when it was
10:19 9 originally formed, the principal place of business
10:19 10 was -- was Mr. Bromley's address in Florida.

10:19 11 A No. Let me clarify that. Bill lives in
10:19 12 Florida now. He previously lived in Pennsylvania.

10:19 13 Q Oh, okay.

10:19 14 A So it was principal place of business was
10:19 15 in Pennsylvania previously, and it was originally
10:19 16 registered in Delaware, and it is currently domiciled
10:19 17 in Delaware again.

10:19 18 Q Got it.

10:19 19 Now, when did you become involved with the
10:19 20 entity?

10:19 21 A I believe it was around 2016, towards the
10:19 22 end of the year.

10:19 23 Q And what was your role when you became
10:20 24 involved?

10:20 25 A I became a part owner of the business and

10:20 1 also operations -- or in charge of operations of the
10:20 2 business.

10:20 3 Q So when you became part owner, how did you
10:20 4 do that? How did you find the entity?

10:20 5 A We had negotiations, Bill and I, as far as
10:20 6 how the company would run.

10:20 7 Q Did you reach out to him? Did he reach
10:20 8 out to you? How did you make the initial contact with
10:20 9 the entity?

10:20 10 A I believe he was introduced to us through
10:20 11 some common associates.

10:20 12 Q When you say us, who do you mean?

10:20 13 A I was speaking for the company.

10:20 14 Q Oh, so I'm just -- when you got involved,
10:20 15 did you make a -- pay any money to join? What was the
10:21 16 financial part?

10:21 17 A No, I did not pay any money to join.

10:21 18 Q And when you first joined, what was your
10:21 19 title?

10:21 20 A My title was Chief Financial Officer.

10:21 21 Q And has that changed since 2016?

10:21 22 A Yes. I'm currently the President of the
10:21 23 business.

10:21 24 Q When did you become the President?

10:21 25 A After we were returned -- received the

10:21 1 company back from the receiver this year.

10:21 2 Q Do you recall precisely when the
10:21 3 receiver -- when it was returned?

10:21 4 A It was in parts. I believe the original
10:21 5 order was towards the end of February from Judge Ruiz,
10:21 6 and the receiver was to turn over assets, documents,
10:21 7 cash, and everything associated with the business that
10:22 8 transpired over the course of March. So we originally
10:22 9 got a couple of documents in early March. Things came
10:22 10 through, such as Emails and documents that we were
10:22 11 asking for. There's a little bit of a back and forth
10:22 12 between Andre and the receiver's attorney. And then,
10:22 13 ultimately, I believe we received the funds towards the
10:22 14 end of March. So that's the time period. It wasn't
10:22 15 just a clean handover. It was a period of time.

10:22 16 Q Well, and what funds were turned over at
10:22 17 the end of March?

10:22 18 A There was, approximately, two million
10:22 19 dollars worth of business.

10:22 20 Q And is that the -- are you talking about
10:22 21 the funds that are in the frozen account?

10:22 22 A Yes. That's still the same money, yes.

10:22 23 Q And that's at -- what bank is that at?

10:22 24 A The funds are currently held at United
10:22 25 Savings Bank in Philadelphia.

10:23 1 Q And currently are there any other officers
10:23 2 with the company?

10:23 3 A Yes. Bill.

10:23 4 Q And besides Mr. Bromley, any other
10:23 5 officers?

10:23 6 A No.

10:23 7 Q Are there any other shareholders?

10:23 8 A No.

10:23 9 Q Does the company have any other owners?

10:23 10 A No.

10:23 11 Q Does the company have any employees?

10:23 12 A No longer. We had a couple before the
10:23 13 whole frozen account issue.

10:24 14 Q And who were the employees?

10:24 15 A I retained third-party counsel for
10:24 16 collections, and I had a collections person hired.

10:24 17 Q Who was that person?

10:24 18 A That person's name is Kiandra Manlov.

10:24 19 Q Does the company -- strike that.

10:24 20 Has the company ever used any other names?

10:24 21 A I mean, just variations of Capital Source
10:24 22 2000, CS 2000. We're currently just operating as
10:24 23 Capital Source just to truncate it a little bit, but
10:24 24 that's about, I believe. Maybe -- yeah, just that, CS
10:24 25 2000, Capital Source 2000, and Capital Source.

10:25 1 Q Did the entity have a predecessor?

10:25 2 A No.

10:25 3 Q Does the entity own any subsidiaries?

10:25 4 A No, it does not.

10:25 5 Q And what's the present principal place of
10:25 6 business for the entity?

10:25 7 A The present principal place of business is
10:25 8 Dover, Delaware.

10:25 9 Q Do you have the address?

10:25 10 A I can look it up. Do you want me to do
10:25 11 that real quick?

10:25 12 Q Sure.

10:25 13 A It's not off the top of my head.

10:25 14 Q That's fine.

10:25 15 A One second.

10:25 16 Okay. So the address of the business is 8
10:25 17 LeGreen, Suite No. 14196, Dover, Delaware 19901.

10:26 18 Q Is that a physical space, or is it a room
10:26 19 of postal box?

10:26 20 A It's a virtual office company that we work
10:26 21 with.

10:26 22 Q And what's the name of the company?

10:26 23 A Delaware Registered Agent.

10:26 24 Q Now, does the entity file tax returns?

10:26 25 A We have not yet, and, obviously, it's

10:26 1 pending given the frozen accounts.

10:26 2 Q I'm sorry?

10:26 3 A It has in the past -- sorry. Just to
10:26 4 complete that thought. I was kind of in the middle of
10:26 5 thinking about it while I was speaking. It has in the
10:26 6 past regularly filed its own tax returns. I'm not sure
10:26 7 from the period of time that the receiver whether or
10:26 8 not had filed tax returns.

10:27 9 Q When it -- so during the receivership,
10:27 10 you're not sure if it's filed returns. And I suppose
10:27 11 you're working on -- next year's return will be worked
10:27 12 on in 2024.

10:27 13 A Well, I mean, this is part of the issue
10:27 14 with the frozen account. I did speak to a couple of
10:27 15 CPAs that were interested in working with us. We were
10:27 16 going back and forth. You know, the company doesn't
10:27 17 have liquid funds to be hiring tax accountants to do
10:27 18 this work, so it's kind of on me and Bill right now to
10:27 19 work around that.

10:27 20 There is a substantial amount of
10:27 21 accounting required that's sort of been stalled because
10:27 22 of the frozen accounts issue. I was intending on
10:27 23 hiring more accountants and to -- and, obviously,
10:27 24 third-party CPAs to help us reconcile it. Because when
10:27 25 I got the books back, just on my cursory review of the

10:27 1 financials, there was a lot of -- let's just call it a
10:27 2 little bit of a mess in the accounting system that
10:27 3 required reconciliations, including bank accounts that
10:27 4 weren't -- that were closed that still have balances
10:28 5 listed on the balance sheet, for example, receivables,
10:28 6 and all sorts of adjustments required to be made on the
10:28 7 balance sheet. So it wasn't something that was ready
10:28 8 to be filed as far as a tax return. We didn't get a
10:28 9 clean set of books from the receiver.

10:28 10 Q I understand.

10:28 11 Before the receivership took control of
10:28 12 the entity, what type of return was filed?

10:28 13 A Just a standard 1120.

10:28 14 Q Okay.

10:28 15 And did you receive -- were you
10:28 16 compensated by the entity?

10:28 17 A Was I compensated by Capital Source?

10:28 18 Q Yes.

10:28 19 A During this time when we got it back?

10:28 20 Q Before that. So before the receivership
10:28 21 took over, were you compensated?

10:28 22 A Yes.

10:28 23 Q And how were -- did you receive a K-1
10:28 24 or --

10:28 25 A I don't recall if I received a K-1, but I

10:29 1 had a consulting entity that was paid from the
10:29 2 business.

10:29 3 Q And who prepared the tax returns for the
10:29 4 entity before the receivership?

10:29 5 A We had a third-party CPA preparing tax
10:29 6 returns. The name of the firm was Rodermel &
10:29 7 Associates.

10:29 8 Q Can you spell the first name.

10:29 9 A That's R-O-D, space, E-R-M-E-L, ampersand,
10:29 10 Associates.

10:29 11 Q Thanks.

10:29 12 Did you have -- did the entity before the
10:29 13 receivership have any other financial or tax advisors?

10:29 14 A Yes.

10:29 15 Q Who were they?

10:29 16 A We worked with Marcum, LLP.

10:29 17 Q Any other accountants?

10:30 18 A We subsequently were planning to -- oh,
10:30 19 yes, we did work with them actually. Hold on. Let me
10:30 20 think about it.

10:30 21 We also worked with another CPA firm.
10:30 22 They're called CliftonLarsonAllen, and our principal
10:30 23 accountant that we worked with at the firm was named
10:30 24 Rick Huff. Bill knew him from a while back.

10:30 25 Q Is that Larson with an O or an E?

10:30 1 A With an O.

10:30 2 Q Did the entity, again, before the
10:30 3 receivership, work with any auditors?

10:30 4 A You mean like government auditors or
10:30 5 internal auditors?

10:30 6 Q Internal auditors.

10:30 7 A Just Marcum and CliftonLarsonAllen, and
10:30 8 Rodermel & Associates to some degree.

10:30 9 Q And did the entity, again, before the
10:30 10 receivership, have a financial planner?

10:31 11 A Financial planner? I'm not sure what you
10:31 12 mean by financial planner.

10:31 13 Q Someone to work on financial matters for
10:31 14 the entity.

10:31 15 A Yes. I'm sorry. That seems kind of
10:31 16 general. You know, between myself and Bill, we made
10:31 17 decisions as far as the direction of the company
10:31 18 financially, but if you're talking about audit and
10:31 19 taxes, those are the parties I just named.

10:31 20 Q Any other consultants that worked with the
10:31 21 company?

10:31 22 A Not that I can remember.

10:31 23 Q And who prepared the financial statements
10:31 24 for the entry before the receivership?

10:31 25 A I primarily oversaw the preparation of the

10:31 1 financial statements for it, so it was my office
10:31 2 directly.

10:31 3 Q And there was no outside consultants?

10:31 4 A Well, the -- if you're talking about
10:31 5 audited financials or regular, you know, month-to-month
10:32 6 financials?

10:32 7 Q Well, both. Regular month-to-month
10:32 8 financials.

10:32 9 A I prepared the regular month-to-month
10:32 10 financials. The audit that we had done was by Marcum,
10:32 11 and they prepared the audited financials -- or they
10:32 12 were engaged to at least.

10:32 13 Q Did they not complete them?

10:32 14 A They did not. We ended up terminating
10:32 15 that audit and then subsequently working with
10:32 16 CliftonLarsonAllen, who was in the process of doing
10:32 17 subsequent audited financials.

10:32 18 Q I got it.

10:32 19 A They also provided some tax guidance, as
10:32 20 well.

10:32 21 Q And when the entity was created, who was
10:32 22 the decision making person?

10:32 23 A Bill Bromley.

10:32 24 Q And did this change?

10:32 25 A No. Bill's always been the decision

10:32 1 making person in the company. And this changed, I
10:32 2 mean, between me and him when I signed on to the
10:33 3 company. We both made decisions in tandem, and we
10:33 4 still continue to do so.

10:33 5 Q How are they -- the decisions you make,
10:33 6 how are they approved between the two of you?

10:33 7 A Usually we have mutual agreement. I don't
10:33 8 think there was anything that we've ever had a
10:33 9 significant discrepancy on. We've always been able to
10:33 10 come to terms.

10:33 11 Q Is there a dollar limit on who makes the
10:33 12 decision?

10:33 13 A No, there's no dollar limit.

10:33 14 Q And just so I get a picture,
10:33 15 post-receivership, you're the President. Are there any
10:33 16 other officers for the company?

10:33 17 MR. RAIKHELSON: Objection. Asked and
10:33 18 answered.

10:33 19 You can answer it again.

10:33 20 THE WITNESS: Yes. Bill.

10:33 21 BY MR. ROESSNER:

10:33 22 Q And his wife, does she have any role with
10:33 23 the entity?

10:33 24 A No longer. We revised the operations
10:33 25 agreement to exclude her after we received the company.

10:34 1 Q From the receivership, you mean?

10:34 2 A Yes. I'm sorry. After we received the
10:34 3 company back in March.

10:34 4 Q And why was it revised?

10:34 5 A It was actually more of a practical
10:34 6 matter. We were having issues just with the logistics
10:34 7 of opening the bank account, and then rather than
10:34 8 having her fly up here to, you know, do the whole
10:34 9 signatory and driver's license thing, it was easier
10:34 10 just to have Bill assume, you know, his share and my
10:34 11 share, and we were opening the accounts together here
10:34 12 in Philadelphia.

10:34 13 Q And these are the accounts you mentioned
10:34 14 before at United Bank?

10:34 15 A United Savings Bank, yes.

10:34 16 Q And who are the signatories on the
10:34 17 account?

10:34 18 A Just myself and Bill.

10:34 19 Q Now, currently, there's frozen funds at
10:35 20 the account. What's the total of the frozen funds?

10:35 21 A It's a bit over two million dollars, about
10:35 22 two point one million.

10:35 23 Q And they're in -- what -- how many
10:35 24 accounts are at the bank?

10:35 25 A We have three bank accounts.

10:35 1 Q Now, I'm going to go back to the source of
10:35 2 the funding for when the entity began. How was the
10:35 3 entity funded?

10:35 4 A You mean originally?

10:35 5 Q Originally, yes.

10:35 6 A Bill put money into the business himself.

10:35 7 Q How much did he put in?

10:35 8 A I don't recall specifically. Do you want
10:35 9 me to estimate?

10:35 10 Q Sure.

10:35 11 A I believe between half to a million
10:35 12 dollars.

10:36 13 Q And have you ever put funds into the
10:36 14 entity?

10:36 15 A No, I have never.

10:36 16 Q Has anybody else -- has he put additional
10:36 17 funds into the entity?

10:36 18 A I don't recall. I believe so.

10:36 19 Q And do you know the total that he's put
10:36 20 into the entity?

10:36 21 MR. RAIKHELSON: Objection. Asked and
10:36 22 answered.

10:36 23 THE WITNESS: No, not -- I'm sorry,
10:36 24 Andre. Go ahead.

10:36 25 MR. RAIKHELSON: I said asked and

10:36 1 answered. The answer was that you didn't know.

10:36 2 THE WITNESS: Yeah. Again, I'm sort of
10:36 3 conjecturing with that amount, but that estimate
10:36 4 still stands, what I provided.

10:36 5 BY MR. ROESSNER:

10:36 6 Q So is there a place you can go to get that
10:36 7 information?

10:36 8 A I could. I could run the books and go
10:36 9 through the balance sheet.

10:36 10 Q So the books for the entity, how are they
10:36 11 maintained?

10:36 12 A I'm not sure I understand what you mean.

10:37 13 Q Is it on Quickbooks? Is there a software
10:37 14 that the entity uses?

10:37 15 A Yes, we use Quickbooks.

10:37 16 Q And so in Quickbooks, would it have the
10:37 17 member or contributions?

10:37 18 A Yes.

10:37 19 Q I'd request a copy -- so during the
10:37 20 deposition at points, I'll just say, request that
10:37 21 information, and then we'll follow-up after the
10:37 22 deposition, but it sort of triggers for me that I know
10:37 23 I have to follow-up with Counsel. So I'll just put a
10:37 24 request for the amounts of the contributions to the
10:37 25 entity.

10:37 1 MR. RAIKHELSON: Well, first of all, you
10:37 2 know, I understand your request. I just want it to
10:37 3 be clear that this is not a formal request for
10:37 4 production of documents. That would have to be in
10:37 5 written format, so we would not waive that formality
10:37 6 as a threshold matter.

10:37 7 And number two, to the extent that this
10:37 8 is a, quote, unquote, formal request production, we
10:37 9 would object to that request for production because
10:37 10 it's not in the proper form, because there was no
10:38 11 duces tecum provided with this deposition, and
10:38 12 because the request is, number one, unduly
10:38 13 burdensome, and, number two, is already possessed by
10:38 14 the SEC because when the receiver took over the
10:38 15 entity, it took over all of the books and records, as
10:38 16 well.

10:38 17 MR. ROESSNER: As I said, we'll
10:38 18 follow-up after the deposition.

10:38 19 BY MR. ROESSNER:

10:38 20 Q And -- so outside of Mr. Bromley, has
10:38 21 anybody else provided funds to the entity?

10:38 22 A Yes.

10:38 23 Q And who are those individuals?

10:38 24 A We have purchases or notes from Capital
10:38 25 Source 2000.

10:38 1 Q And how many notes are there?

10:38 2 A I'm not sure specifically. Do you want me
10:39 3 to estimate?

10:39 4 Q Well, is it more than ten?

10:39 5 A Yes.

10:39 6 Q And do you know the total of those notes?

10:39 7 A Not off the top of my head.

10:39 8 Q Where would you go to find that
10:39 9 information?

10:39 10 A It's also in Quickbooks.

10:39 11 Q Quickbooks would identify all the note
10:39 12 holders?

10:39 13 A No, not specifically. They're just listed
10:39 14 as items on a balance sheet.

10:39 15 Q Were actual notes entered into with the
10:39 16 note holders?

10:39 17 A Yes. There's agreements for all of them.

10:39 18 Q Did you enter into any of these notes with
10:39 19 CS 2000?

10:39 20 A No, I have not.

10:40 21 Q I'll break this up. Before the
10:40 22 receivership took over, who approved distributions for
10:40 23 the entity?

10:40 24 A I'm not sure what you mean.

10:40 25 Q Before again, before the receivership,

10:40 1 when the entity was going to make payments to you, for
10:40 2 example, who would approve that?

10:40 3 A Oh, this is the same as earlier. It's
10:40 4 mutually decided upon myself and Bill Bromley.

10:40 5 Q So before the receivership, how much --
10:40 6 what were your distributions in 2019?

10:40 7 A I don't recall.

10:40 8 Q So practically how would it distribute the
10:41 9 funds just to you in particular?

10:41 10 A What do you mean by how it would
10:41 11 distribute the funds? You mean the means of payment?

10:41 12 Q Yeah.

10:41 13 A Oh, actually, I'm not sure. It would have
10:41 14 to be either check or ACH usually, maybe a wire, but I
10:41 15 don't remember specifically.

10:41 16 Q And if you were going to get that
10:41 17 information, would that be in the Quickbooks, also?

10:41 18 A Yeah. I mean, it would reflect all the
10:41 19 transactions, obviously, so it would show what account
10:41 20 it came from and that would help identify the means of
10:41 21 payment.

10:41 22 Q And you'd be able to see the total amount
10:41 23 of payments that were made to you?

10:41 24 A Yes. I mean, assuming they didn't revise
10:41 25 the prior periods. I didn't actually go through that

10:41 1 specific section when we got the books back, so I'm
10:42 2 assuming that information is still there and it hasn't
10:42 3 been adulterated.

10:42 4 Q You mean by the receiver again provides?

10:42 5 A Right. Because the books were out of my
10:42 6 hand for a few years, so, you know, I can't make an
10:42 7 opinion on what was done or modified on the books if
10:42 8 they made changes to prior periods and/or transactions.
10:42 9 Again, I just had sort of brief cursory review of the
10:42 10 books since I got it back, and it wasn't in a great
10:42 11 state to be able to really derive any useful
10:42 12 information without having to finish reconciliations
10:42 13 and get it cleaned up with the assistants of a
10:42 14 third-party, CPAs most likely.

10:42 15 Q I understand.

10:42 16 So let me take it to today. Since the
10:42 17 receivership, since it's been -- the entity has been
10:42 18 returned to your and Mr. Bromley's control, have there
10:42 19 been any distributions to you or to Mr. Bromley?

10:42 20 A No.

10:43 21 Q And when I -- I'm saying distributions,
10:43 22 but I mean payments of any kind.

10:43 23 A What do you mean by payments of any kind,
10:43 24 just money that we received?

10:43 25 Q Yes.

10:43 1 A Yes.

10:43 2 Q And so I'm going to ask about you. What
10:43 3 money have you received from the entity since it's been
10:43 4 received from the receivership?

10:43 5 A Monies I received were to the tune of
10:43 6 reimbursements for costs that I paid for, you know,
10:43 7 office supplies, mailings, that kind of routine
10:43 8 business stuff.

10:43 9 Q But no -- no salary?

10:43 10 A I do not have a salary or profit
10:43 11 distribution from the business, no.

10:43 12 Q Did you have a profit distribution from
10:43 13 the business before 20 -- before the receivership?

10:43 14 A Yes. Well, indirectly through the
10:43 15 consulting entity, but, yes.

10:43 16 Q And what was that arrangement?

10:43 17 A Bill and I would pay profit distributions
10:43 18 after reconciled periods of time for each quarter.

10:44 19 Q Is that reflected in an agreement?

10:44 20 A Yes.

10:44 21 Q And then who's the agreement with? Is it
10:44 22 with the entity, your consulting entity?

10:44 23 A The agreements were prepared by our
10:44 24 lawyers for our individual consulting entities, not to
10:44 25 our persons directly, and with Capital Source.

10:44 1 Q And what's the name of your consulting
10:44 2 entity?

10:44 3 A I had a couple back then, but at the time,
10:44 4 I believe it was Beta Abigail when we initially did it.

10:44 5 Q So let me go through from the beginning
10:44 6 from when you first were associated with the entity in
10:44 7 2016. Did you have a consulting entity?

10:44 8 A I'm sorry. Yes, I did have a consulting
10:45 9 entity.

10:45 10 Q And that had a -- what was the name of
10:45 11 that entity?

10:45 12 A Beta Abigail.

10:45 13 Q And that had an agreement with the entity?

10:45 14 A With Capital Source, yes.

10:45 15 Q Got it.

10:45 16 So I'm going to put a request for that,
10:45 17 which I'll follow-up with after the deposition.

10:45 18 And how long did Beta Abigail have an
10:45 19 agreement with CS 2000?

10:45 20 A For a couple of years.

10:45 21 Q And was there a subsequent consulting
10:45 22 entity you had?

10:45 23 A Yes, there was.

10:45 24 Q And what's the name of that one?

10:45 25 A The subsequent entity is named ALB

10:45 1 Management.

10:45 2 Q And did that entity have an agreement with
10:45 3 CS 2000?

10:45 4 A Yes.

10:45 5 Q And what was the terms of the agreement,
10:46 6 if you recall?

10:46 7 MR. RAIKHELSON: Well, first of all, let
10:46 8 me -- I want to object to this question on the basis
10:46 9 that this is beyond the scope of the deposition. The
10:46 10 scope of the -- and if this is a deposition in aid of
10:46 11 execution, this -- all of this is information that
10:46 12 was well known to the SEC and the receivership -- and
10:46 13 the receiver during the scope of the deposition.

10:46 14 Two, moreover, the question lacks
10:46 15 foundation because you're asking my client what were
10:46 16 the terms of an agreement without showing him a copy
10:46 17 of the agreement, without asking specifically what
10:46 18 terms. In reality, probably he might not know, so --

10:46 19 MR. ROESSNER: Andre, I appreciate it.
10:46 20 I understand the objection. And so that's the
10:46 21 question. If he's able to answer it, he's able to
10:46 22 answer it. And I asked him what the terms of the
10:47 23 arrangement between ALB and CS 2000, and if he can
10:47 24 answer it, he can answer, so you can go ahead.

10:47 25 THE WITNESS: Okay. Can you repeat the

10:47 1 question, please?

10:47 2 MR. ROESSNER: Sure. If you can repeat
10:47 3 the question.

10:47 4 THE COURT REPORTER: Okay. One second.
10:47 5 (Whereupon, the Court Reporter read back
10:47 6 the question.

10:47 7 THE WITNESS: I don't recall the terms
10:47 8 of the agreement.

10:47 9 BY MR. ROESSNER:

10:47 10 Q And how long was AL -- is ALB -- strike
10:47 11 that.

10:47 12 Is ALB -- ALB Management, the entity that
10:47 13 you currently -- that currently has a consulting
10:48 14 agreement with CS 2000?

10:48 15 A No.

10:48 16 Q When did that end?

10:48 17 A It's kind of a complicated answer. The
10:48 18 receiver expanded upon both Beta Abigail and ALB and
10:48 19 continues to hold both of those entities under the
10:48 20 receivership, so I imagine -- I guess technically it's
10:48 21 still in existence, but I no longer have control of
10:48 22 either of those entities.

10:48 23 Q Understood.

10:48 24 Now, since the receivership, do you have a
10:48 25 consulting agreement that has a relationship with CS

10:48 1 2000?

10:48 2 A No.

10:48 3 Q Just generally, what is the business of CS

10:49 4 2000?

10:49 5 A CS 2000 previously before the receivership
10:49 6 provided merchant cash advances.

10:49 7 Q And currently, what's the business of CS

10:49 8 2000?

10:49 9 A Currently, it's in the business of
10:49 10 cleaning up the mess from the receiver and trying to
10:49 11 get note holders repaid.

10:49 12 Q And has it received any funds since the
10:49 13 receivership has closed?

10:49 14 A Yes. We had a couple of client payments
10:49 15 come in.

10:49 16 Q And where were those funds sent?

10:50 17 A I believe they were mailed to Bill's
10:50 18 address, and we attempted to have more payments
10:50 19 collected, but, again, the bank accounts have been
10:50 20 frozen.

10:50 21 Q So the payments that were submitted, where
10:50 22 were they sent?

10:50 23 A I believe they were sent to Bill.

10:50 24 Q I'm sorry. Where were they deposited?

10:50 25 A They were not deposited. The wire that --

10:50 1 for example, I got a payoff wire from one of the
10:50 2 collections files for about twelve thousand dollars,
10:50 3 and it got rejected by the bank because it was after
10:50 4 this freeze was put in place, so we were unable to
10:50 5 collect those fund from the clients that owe us money.

10:50 6 Q And the funds that were sent to
10:50 7 Mr. Bromley, what happened to those payments?

10:50 8 A I believe he still has the checks.

10:50 9 Q And do you know the amount of those
10:50 10 checks?

10:50 11 A It's a couple of thousand dollars. I
10:51 12 believe there are a few more being sent by the
10:51 13 receiver, too, because to my understanding, they're
10:51 14 still collecting payments for the company, or were
10:51 15 receiving payments for them.

10:51 16 Q When you say that, where were the receiver
10:51 17 sending them to?

10:51 18 A I believe to Bill's address.

10:51 19 Q What is the current value of the assets
10:51 20 held by CS 2000?

10:51 21 A I'm not sure what you mean.

10:51 22 Q Well, how much is the entity worth?

10:51 23 MR. RAIKHELSON: Objection as to how
10:51 24 much is the entity worth. How are you -- the
10:51 25 question is vague.

10:51 1 THE WITNESS: It's exactly what Andre
10:52 2 said. I don't know what you mean. How do you want
10:52 3 me to quantify what it's worth?

10:52 4 BY MR. ROESSNER:

10:52 5 Q Yeah, I want to just get an overview of
10:52 6 the general net worth of the entity.

10:52 7 MR. RAIKHELSON: Mr. Roessner, let me
10:52 8 just make it clear. Are you asking, if I were to buy
10:52 9 the company, how much would it be worth, like how
10:52 10 much would I pay for it, or are you asking, what's
10:52 11 the total amount of assets that are in the company?
10:52 12 What are you actually asking?

10:52 13 MR. ROESSNER: Sure. I'm looking for
10:52 14 what is the total assets minus the total liabilities
10:52 15 would be what's the net worth of the company?

10:52 16 THE WITNESS: I don't have the books in
10:52 17 front of me, but I can approximate, if you would
10:52 18 like.

10:52 19 BY MR. ROESSNER:

10:52 20 Q Sure.

10:53 21 A The net of assets and liabilities of the
10:53 22 company is, approximately, a couple million dollars. I
10:53 23 will put the caveat that there's substantial
10:53 24 recognition of those assets and liabilities still up in
10:53 25 the air, so depending on how those figures shake out,

10:53 1 it's a very dynamic number, I would imagine.

10:53 2 Q Have you prepared a financial statement --
10:53 3 has the entity prepared a financial statement since the
10:53 4 receivership?

10:53 5 A No, but not without trying.

10:53 6 Q I'm sorry. I cleared my throat. What was
10:53 7 the last part?

10:53 8 A I mean, I tried to prepare it, but, again,
10:53 9 it's been a mess, so -- I've been -- that was actually
10:53 10 one of my goals earlier on is just to give Bill an
10:53 11 assessment and I to discuss, but it's not clean yet, so
10:53 12 we don't have any reliable numbers to truly confirm
10:53 13 those amounts.

10:54 14 Q Does the entity own any real property?

10:54 15 A No, the company does not own any real
10:54 16 property.

10:54 17 Q Has it ever owned any real property?

10:54 18 A No, not that I can recall.

10:54 19 Q If it did, would that be reflected on
10:54 20 the -- in Quickbooks?

10:54 21 MR. RAIKHELSON: Objection. Calls for
10:54 22 speculation because the testimony is that it doesn't
10:54 23 own any real property. I'm going to ask my client
10:55 24 not to speculate.

25

10:55 1 BY MR. ROESSNER:

10:55 2 Q Well, you said that you weren't sure if it
10:55 3 ever owned real property. Who would know if it owned
10:55 4 real property?

10:55 5 A I guess Bill would, or I mean, I'm letting
10:55 6 you know, it's unlikely it ever owned real property. I
10:55 7 just don't have oversight of the company since its
10:55 8 inception in 2015, and I believe it doesn't own any
10:55 9 property.

10:55 10 Q Understood.
10:55 11 Now, since the return of the entity from
10:55 12 the receivership, has it received any income?

10:56 13 A No, it has not generated any income.

10:56 14 Q Now, either before or after the
10:56 15 receivership, did it ever have rents or royalties?

10:56 16 A I don't remember.

10:56 17 Q If it had rents or royalties, this would
10:56 18 be reflected on the Quickbooks, right?

10:56 19 A Yes.

10:56 20 Q And before or after the receivership, did
10:56 21 it have any dividends or interest income?

10:56 22 A I don't recall.

10:56 23 Q And before the receivership, because right
10:56 24 now you said it's not earning any income, before the
10:57 25 receivership, how did it make its money?

10:57 1 A It made money from providing merchant cash
10:57 2 advances.

10:57 3 Q Did it own any assets?

10:57 4 A Yes.

10:57 5 Q What were those assets?

10:57 6 A Receivables of those merchant cash
10:57 7 advances.

10:57 8 Q And does it still own those receivables?

10:57 9 A Yes.

10:57 10 Q And what's the value of the receivables?

10:57 11 A It's, approximately, thirty million
10:57 12 dollars.

10:58 13 Q Does the entity own any personal property?

10:58 14 A No, not to my understanding -- or not to
10:58 15 my knowledge.

10:58 16 Q Has it ever owned any personal property?

10:58 17 A Not that I can recall.

10:58 18 Q Has the entity ever used virtual currency?

10:58 19 A I'm not sure what you mean by virtual
10:58 20 currency?

10:58 21 Q Bitcoin, cryptocurrencies.

10:58 22 A Oh, no, never cryptocurrencies.

10:58 23 Q Has CS 2000 established any trusts,
10:58 24 companies, or other entities domiciled outside the
10:58 25 United States?

10:58 1 A No.

10:58 2 Q Does CS 2000 currently hold, possess, or
10:58 3 use any asset that is owned by an entity based outside
10:58 4 of the United States?

10:58 5 A No.

10:59 6 MR. ROESSNER: We've been going for an
10:59 7 hour. Can we take a quick ten-minute break?

10:59 8 THE WITNESS: Sure.

10:59 9 MR. RAIKHELSON: How long do you have,
10:59 10 approximately?

10:59 11 THE VIDEOGRAPHER: The time is now 10:57
10:59 12 a.m. Going off the record.

10:59 13 (Whereupon, at 10:57 a.m., a short recess
10:59 14 was taken.)

11:07 15 THE VIDEOGRAPHER: We're back on the
11:07 16 record. The time is now 11:06 a.m.

11:08 17 BY MR. ROESSNER:

11:08 18 Q Okay. Mr. Cole, we're back on the record,
11:08 19 and you understand that you're still under oath and
11:08 20 have a duty to testify truthfully?

11:08 21 A Yes.

11:08 22 Q Now that we've come back from break, if
11:08 23 there's any questions you want to revisit or answers
11:08 24 you want to look at, please just let me know at this
11:08 25 time, and then if not, we'll go forward.

11:08 1 MR. RAIKHELSON: Let's go forward.

11:08 2 THE WITNESS: I'm okay.

11:08 3 BY MR. ROESSNER:

11:08 4 Q What'd you say, Mr. Cole?

11:08 5 A I'm okay. We can move forward, yes.

11:08 6 Q Okay.

11:08 7 I'm going to move to Exhibit 3, which will

11:08 8 be -- we've been talking about the United Savings Bank

11:08 9 account and I'll --

11:08 10 A Yes.

11:08 11 Q -- publish that. Just give me one second.

11:08 12 (SEC Exhibit 3 was marked for

11:08 13 identification.)

11:09 14 MR. RAIKHELSON: Mr. Roessner, you're

11:09 15 going to contemporaneously upload it -- upload these

11:09 16 documents to whatever file sharing system that you

11:09 17 sent me earlier, correct?

11:09 18 MR. ROESSNER: Exactly. I'm doing that

11:09 19 now.

11:09 20 MR. RAIKHELSON: Okay.

11:09 21 MR. ROESSNER: And I'm also going to

11:09 22 share just in case Mr. Cole doesn't have that. So

11:09 23 you should see that, and I'm going to share it.

11:09 24 BY MR. ROESSNER:

11:09 25 Q So this is an April 2023 statement.

11:09 1 MR. RAIKHELSON: If you think you've
11:09 2 shared your screen, I'll tell you that you haven't.

11:09 3 MR. ROESSNER: It should be shared. Let
11:09 4 me make it a little bit bigger.

11:09 5 Can you see that, Mr. Cole?

11:09 6 THE WITNESS: I can see it, but it's not
11:09 7 legible yet. If you can go a couple more times.

11:10 8 Okay. I can read it now. Thank you.

11:10 9 BY MR. ROESSNER:

11:10 10 Q This is -- oh, there we go. Okay. I was
11:10 11 trying to figure out how to scroll up and down.

11:10 12 So Exhibit 3 is a Capital Source 2000
11:10 13 United Savings Bank April 2023 statement. Do you see
11:10 14 that?

11:10 15 A Yes.

11:10 16 Q And this is after a receivership ended?

11:10 17 A Yes.

11:10 18 Q And this is the account that was just set
11:10 19 up this year?

11:10 20 A That's correct.

11:10 21 Q Where did Capital Source 2000 bank before
11:10 22 the receivership?

11:10 23 A We had accounts at Bank of America,
11:10 24 Meridian Bank, to my recollection.

11:10 25 Q And this account is currently frozen,

11:10 1 correct?

11:10 2 A Yes.

11:11 3 Q Now, it shows there's debits of
11:11 4 fifty-seven thousand. What are the debits for?

11:11 5 A It's for a number of things.

11:11 6 Q I'll ask some -- what is Actum Processing?
11:11 7 What is Actum?

11:11 8 A Actum Processing is an ACH processor the
11:11 9 company uses.

11:11 10 Q And then ConvergeHub, what does
11:11 11 ConvergeHub -- what does that do for the entity?

11:11 12 A ConvergeHub is an entity platform that we
11:11 13 use to host documents on.

11:11 14 Q What type of documents are hosted?

11:11 15 A The MCA documents, the same ones that the
11:11 16 receiver used.

11:12 17 Q And this is the address you mentioned
11:12 18 before, the --

11:12 19 A That's right. Yeah.

11:12 20 Q So there's three accounts for this entity?

11:12 21 A Yes.

11:12 22 Q It's a checking, savings. And what's the
11:12 23 third account?

11:12 24 A There's just three accounts. I don't know
11:12 25 what you mean by that.

11:12 1 Q Are they -- what are the accounts? Is it
11:12 2 a savings and a checking?

11:12 3 A They're all checking accounts. There's no
11:12 4 savings account.

11:12 5 (Ms. Riggle-Berlin has joined the Webex
11:12 6 proceeding.)

11:12 7 MR. ROESSNER: Amie just joined.

11:12 8 THE WITNESS: Hi, Amie.

11:12 9 MR. RAIKHELSON: Hi, Amie.

11:12 10 MR. ROESSNER: Amie, do you want just
11:12 11 for the record announce your appearance?

11:13 12 MR. RAIKHELSON: I think she might be
11:13 13 having an audio issue, but I'm hoping she can hear
11:13 14 us.

11:13 15 For the record, it appears Amie has
11:13 16 joined, and she is litigation counsel for the SEC.

11:13 17 Mike, is that a correct understanding of
11:13 18 Amie's role? I don't want to misspeak.

11:13 19 MR. ROESSNER: Yeah. We'll let Amie
11:13 20 introduce herself, but Amie Berlin is the trial
11:13 21 counsel for the SEC, and she's on the call, but Amie
11:13 22 may not be hearing us, and we can't hear her. So I'm
11:13 23 going to just go forward.

11:13 24 BY MR. ROESSNER:

11:13 25 Q Can you read these checks?

11:13 1 Now I can't hear Mr. Cole.

11:14 2 A I'm sorry. I had it muted.

11:14 3 Okay. That's perfect. Yeah.

11:14 4 Q So this check for seventy-five hundred,
11:14 5 who is that that's for, the top left?

11:14 6 A That's for Helliz Abbwal.

11:14 7 Q And who's that?

11:14 8 A That is a bookkeeping entity I own.

11:14 9 Q Can you spell the first word.

11:14 10 A Sure. It's H-E-L-L-I-Z.

11:14 11 Q All right. Sorry.

11:14 12 And that's the current bookkeeping entity
11:14 13 for CS 2000?

11:14 14 A That's right.

11:14 15 Q How long has it been working for the
11:14 16 entity?

11:15 17 A It's been working since after we got the
11:15 18 company back, approximately, starting in April.

11:15 19 Q And how much -- how many hours a week does
11:15 20 it perform work for the entity?

11:15 21 A Well, it depends on the week. You know,
11:15 22 back in April, it was quite a bit. As of late, not
11:15 23 very much.

11:15 24 Q And there's a check there for fifteen
11:15 25 thousand for Counsel?

11:15 1 A Yes.

11:15 2 Q Are they fees for the entity?

11:15 3 A Yes.

11:15 4 Q And before you mentioned that -- that you
11:15 5 were being reimbursed by the entity. Is this check for
11:15 6 four forty-nine, is that reimbursement you had
11:16 7 received?

11:16 8 A Yes, that's exactly right.

11:16 9 Q There's a check for five thousand dollars.
11:16 10 Do you see that on April 25th?

11:16 11 A I can't make it out. It's too small.

11:16 12 Q I'll make it a little bigger.

11:16 13 A Yes.

11:16 14 Q And it's for Norman Valz?

11:16 15 A That's correct.

11:16 16 Q Who is Norman Valz?

11:16 17 A He's an attorney.

11:16 18 MR. RAIKHELSON: Valz, V-A-L-Z. Valz.

11:16 19 THE WITNESS: Yes.

11:16 20 BY MR. ROESSNER:

11:16 21 Q How do you spell the name, Mr. Cole?

11:16 22 A N-O-R-M-A-N, space, V-A-L-Z.

11:16 23 Q And who is he?

11:16 24 A He is an attorney.

11:16 25 Q For CS 2000?

11:16 1 A Yes.

11:17 2 Q And this is -- is this your bookkeeping
11:17 3 company, Helliz Abbwal?

11:17 4 A Yes.

11:17 5 Q And that seventy-five hundred is a fee for
11:17 6 bookkeeping?

11:17 7 A Yes.

11:17 8 Q So what sort of bookkeeping work does the
11:17 9 entity do for CS 2000?

11:17 10 A I'm not sure I understand what you mean by
11:17 11 that.

11:17 12 Q Well, what services does it provide for
11:17 13 the company?

11:17 14 A Bookkeeping services, keeping track of
11:17 15 books, reconciling bank statements, anything relating
11:17 16 to financial matters of the business that it needs to
11:17 17 keep track of.

11:17 18 Q Does it have a contract or an agreement
11:17 19 with the company?

11:17 20 A I don't remember.

11:18 21 Q How did the company retain Helliz Abbwal?

11:18 22 A It's my business, so I hired myself. Bill
11:18 23 and I said that we need people to operate and run the
11:18 24 business, and we're not working in it directly, so I
11:18 25 retained it, my own company.

11:18 1 Q How much money has Helliz
11:18 2 Abbwal received -- did I say that correctly, Helliz
11:18 3 Abbwal received this year from the entity?

11:18 4 A I don't remember exactly. Maybe three or
11:18 5 four of those checks, seventy-five hundred dollar
11:18 6 checks, so what is that, like twenty-eight thousand
11:18 7 dollars, thirty thousand, something like that.

11:19 8 Q What's the most recent payment that its
11:19 9 received from CS 2000?

11:19 10 A Well, it had to be before the bank
11:19 11 accounts were frozen. So around May.

11:19 12 Q Is it still performing bookkeeping
11:19 13 services?

11:19 14 A Yeah. Now I'm doing it, including -- just
11:19 15 so to get into it a little bit, after the accounts were
11:19 16 frozen, I still had employees to pay, the collector to
11:19 17 pay, people working on the business, and I still paid
11:19 18 for it out of pocket, my own money, in order to
11:19 19 continue servicing the company until we ultimately gave
11:19 20 up, and, unfortunately, I had to hire -- I had to
11:19 21 terminate some people, specifically the employee I said
11:19 22 earlier, Kiandra Manlov, who was doing collections work
11:20 23 for the business.

11:20 24 Q And when was that person terminated?

11:20 25 A I believe sometime in July. I mean, it

11:20 1 just didn't make any sense to continue retaining
11:20 2 someone. She was doing a good job talking to merchants
11:20 3 and trying to get them on these payment schedules, but
11:20 4 with the accounts being frozen, we had nowhere to put
11:20 5 the money, so it didn't make any sense to continue
11:20 6 paying her and talking to merchants even, you know.
11:20 7 It's an unfortunate thing because the company looks bad
11:20 8 to merchants, and we can't get the money that we're
11:20 9 owed and it looks bad on us because we just have our
11:20 10 accounts frozen. We don't have anywhere to put the
11:20 11 money even though they're willing to pay on their
11:20 12 obligations outstanding.

11:20 13 MR. ROESSNER: Sorry. I thought Andre
11:21 14 said something.

11:21 15 MR. RAIKHELSON: No.

11:21 16 BY MR. ROESSNER:

11:21 17 Q The amounts that are reflected on the
11:21 18 account -- I think I just stopped sharing it, actually.

11:21 19 A Yeah, it's no longer on the screen.

11:21 20 Q I'll go back to that. Hold one second.

11:21 21 MR. RAIKHELSON: Joe, I just -- I just
11:21 22 sent you an Email. The only thing in that Email is
11:21 23 an attachment, and that attachment is the exhibit,
11:21 24 what's shown on the screen right now. So to the
11:21 25 extent that you want to see that attachment on your

11:21 1 screen on your computer --

11:21 2 THE WITNESS: Uh-huh.

11:21 3 MR. RAIKHELSON: -- I sent it to you.

11:21 4 And just so the record reflects, there
11:21 5 was nothing in that Email except for the attachment.

11:21 6 And the subject of that Email -- I just want to be
11:22 7 very careful with any representations that I make.

11:22 8 The subject of that Email is, Account Statement.

11:22 9 THE WITNESS: I got the Email, and I
11:22 10 have the statement. Thank you.

11:22 11 MR. RAIKHELSON: Okay.

11:22 12 Mr. Roessner, and I'm assuming you have
11:22 13 no objection to me sending that Email?

11:22 14 MR. ROESSNER: No. That's fine. It's
11:22 15 fine to have the exhibit.

11:22 16 BY MR. ROESSNER:

11:22 17 Q I want to go back to this document,
11:22 18 Exhibit 3. The source of these funds, the two million
11:22 19 dollars, where do those funds come from?

11:22 20 A Those funds came from collections from the
11:22 21 MCA deals. This is both before and after -- I'm sorry.
11:22 22 This is both before, during, and before the
11:22 23 receivership. This includes funds that they collected
11:22 24 from our merchants, and the same merchants that we
11:22 25 tried to continue collecting from, but weren't able to

11:23 1 because of the accounts being frozen.

11:23 2 Q When you say -- who are they when you say
11:23 3 they?

11:23 4 A I'm sorry?

11:23 5 Q You said they were attempting to collect.
11:23 6 Who'd you mean they?

11:23 7 A My collections team; Norm Valz and Kiandra
11:23 8 Manlov, yeah.

11:23 9 Q And on here, there's a payment to Chickies
11:23 10 & Pete's. Was that a restaurant?

11:23 11 A Yeah. We had lunch, Bill and I, after
11:23 12 meeting with the president of the bank.

11:23 13 Q Did you or Mr. Bromley have debit cards
11:23 14 for this account?

11:23 15 A Yes.

11:23 16 Q And did anybody else have debit cards for
11:23 17 the account?

11:23 18 A No.

11:24 19 Q I'm going to mark as Exhibit 4, it's the
11:24 20 next statement. This is going to be marked as Exhibit
11:24 21 4.

11:24 22 (SEC Exhibit 4 was marked for
11:24 23 identification.)

11:24 24 BY MR. ROESSNER:

11:24 25 Q Do you see it's the May 2023 statement

11:24 1 ending? I'll make it a little bit bigger.

11:24 2 MR. RAIKHELSON: And, Mr. Roessner, can
11:24 3 you confirm that you've uploaded this document
11:25 4 online?

11:25 5 MR. ROESSNER: Yes, this will be
11:25 6 uploaded.

11:25 7 MR. RAIKHELSON: Can you do that before
11:25 8 showing -- or can you do it before your first
11:25 9 question?

11:25 10 MR. ROESSNER: Yes, I'll do that. Hold
11:25 11 on.

11:25 12 There we go. Okay. So it's been
11:25 13 published.

11:25 14 BY MR. ROESSNER:

11:25 15 Q Can you see that, Mr. Cole?

11:25 16 A I can, but it's too small to be legible.

11:26 17 Q There you go.

11:26 18 MR. RAIKHELSON: Is this May -- is this
11:26 19 a statement ending 05/31/2023?

11:26 20 MR. ROESSNER: Correct.

11:26 21 MR. RAIKHELSON: Am I looking at the
11:26 22 correct one?

11:26 23 MR. ROESSNER: Yes.

11:26 24 MR. RAIKHELSON: Do you have any
11:26 25 objection to me sending that to my client, so he can

11:26 1 see it on his screen and not a small screen?

11:26 2 MR. ROESSNER: No.

11:26 3 MR. RAIKHELSON: Okay.

11:26 4 MR. ROESSNER: Let me know when you've
11:26 5 had a chance to take a look at it.

11:26 6 MR. RAIKHELSON: Madam Court Reporter,
11:26 7 what exhibit is this?

11:26 8 THE COURT REPORTER: 4.

11:26 9 MR. RAIKHELSON: 4. Okay.

11:26 10 So the subject is going to be, Depo
11:26 11 Exhibit 4. The body of the Email has no text, and
11:26 12 there is the attachment.

11:26 13 Mr. Barleta, let me know when you've
11:26 14 received that?

11:27 15 THE WITNESS: Let me check my Email.
11:27 16 One second.

11:27 17 MR. RAIKHELSON: Uh-huh.

11:27 18 THE WITNESS: I have it. Thank you.

11:27 19 MR. RAIKHELSON: Okay.

11:27 20 THE WITNESS: Sorry. My dog's barking.
11:27 21 I'll mute until I need to answer.

11:27 22 BY MR. ROESSNER:

11:27 23 Q Let me know when you've had a chance to
11:27 24 review it, and then I'll ask a few questions.

11:27 25 A Okay. I'm good.

11:27 1 Q So first we talked about this the last
11:27 2 month, the Actum Processing. What do they do?

11:27 3 A They're an ACH processor.

11:27 4 Q And this fifty-one thousand, what did it
11:27 5 represent?

11:27 6 A That's representing transfers to the ACH
11:27 7 processor.

11:28 8 Q For what purpose?

11:28 9 A For the payment of note holder, the
11:28 10 agreements that we have with them.

11:28 11 Q What agreements do you have with them?

11:28 12 A After we received the company back, we
11:28 13 executed settlement agreements with a number of the
11:28 14 note holders to confirm terms to repay the existing
11:28 15 liabilities that we have.

11:28 16 Q Do you know the names of the note holders
11:28 17 they entered agreements with?

11:28 18 A There's a number of them.

11:28 19 Q How many?

11:28 20 A A couple dozen, if I have to estimate.

11:28 21 Q Do you have copies of those documents?

11:28 22 A Yes.

11:28 23 MR. RAIKHELSON: And let the record
11:28 24 reflect that a copy of a settlement agreement is
11:28 25 available on the docket and was served on all

11:29 1 parties, including the SEC.

11:29 2 BY MR. ROESSNER:

11:29 3 Q On page three, there's the three checks.

11:29 4 Do you see that?

11:29 5 A Uh-huh, I see that.

11:29 6 Q And there's a check to Mr. Bromley. What
11:29 7 is that check for?

11:29 8 A The check for Bill -- one second. I'm
11:29 9 zooming in. Oh, that was for travel reimbursements
11:29 10 because he was coming back and forth from Naples to
11:29 11 Philadelphia.

11:29 12 Q And then there's a seventy-five hundred
11:29 13 dollar check. Is that again to Helliz Abbwal, that's
11:30 14 your bookkeeping company?

11:30 15 A Yes. And I believe that was the last one,
11:30 16 to my recollection.

11:30 17 Q And then on page one, there's the one
11:30 18 point nine million. That was transferred to the
11:30 19 checking account?

11:30 20 A Yes. There was monies moved between
11:30 21 accounts at United Savings Bank.

11:30 22 Q And why were they moved between the
11:31 23 accounts?

11:31 24 A We were allocating funds for payroll and
11:31 25 operations expense, and then the bulk of it just to

11:31 1 another account just to have it separate from those two
11:31 2 accounts.

11:31 3 Q And at this time, who were the employees
11:31 4 of the entity?

11:31 5 A Just Kiandra Manlov. Normal Valz is just
11:31 6 a third-party attorney that we retained.

11:31 7 Q Does the entity have any credit cards or
11:32 8 other credit accounts?

11:32 9 A No, it does not.

11:32 10 Q How does it pay its expenses?

11:32 11 A You see it on there. There's checks, and
11:32 12 then, obviously, some of the expenses are paid through
11:32 13 the other company, the business -- the bookkeeping
11:32 14 business.

11:32 15 Q So just run through the expenses. The
11:32 16 expense for the location in Dover, Delaware, where is
11:32 17 that expense located?

11:32 18 A That's on the bookkeeping company. It
11:32 19 pays it on behalf of Capital Source along with, you
11:32 20 know, others, such as the Quickbooks license, related
11:32 21 accounting expenses and financial expenses.

11:33 22 Q Does Capital Source reimburse the
11:33 23 bookkeeping company for those payments?

11:33 24 A No. The seventy-five hundred dollars
11:33 25 covers those expenses, including the payroll.

11:33 1 Q What other expenses does the bookkeeping
11:33 2 company pay for Capital Source?

11:33 3 A Check stock, things like that, office
11:33 4 supplies that we need to run the business and operate.

11:33 5 Q And where does that entity have a bank
11:33 6 account?

11:33 7 A I'm sorry? Are you asking about the bank
11:33 8 account of my bookkeeping entity?

11:33 9 Q Yes.

11:33 10 A I bank with WSFS.

11:33 11 Q Are there any other entities that provide
11:33 12 services for Capital Source presently?

11:34 13 A Let me think about that. I mean,
11:34 14 technically all those other entities that you saw
11:34 15 payments to are still there. Actum is still retained.
11:34 16 Norman still can collect, but I told him to hold off,
11:34 17 obviously, until we can get this resolved so we can
11:34 18 collect from our clients. ConvergeHub, the platform we
11:34 19 have our documents hosted on, is still there.

11:34 20 Quickbooks is still there; although, I'm paying for
11:34 21 that out of pocket currently. So, yes, there's other
11:34 22 companies that provide services to Capital Source.

11:35 23 Q Hold on one second. I'll get one document
11:35 24 out published. I'm going to mark this as Exhibit 5.
11:36 25 Just give me one second. I'm sorry.

11:36 1 MR. RAIKHELSON: When you say give me
11:36 2 one second, you're uploading it, right?

11:36 3 MR. ROESSNER: Yeah. I'm having -- my
11:36 4 computer's -- just give me one second. I'm sorry.

11:36 5 There's a lot of benefits to doing
11:36 6 things remotely, so we don't have to be in the same
11:36 7 place, but sometimes there's issues that -- some
11:36 8 frustration.

11:36 9 MR. RAIKHELSON: Mike, alternatively to
11:36 10 uploading it if you're having an issue, you can just
11:36 11 Email it to me. You've got my Email address.

11:36 12 MR. ROESSNER: No. That's all right.
11:36 13 I've got it here. It's just my screen is small, and
11:36 14 I -- in the last few months, I think I need to get
11:36 15 bifocals or -- well -- so it's more of me not being
11:36 16 able to read the documents. I had Lasix ten years
11:37 17 ago, and now they said -- and they said you're going
11:37 18 to need to get new glasses.

11:37 19 MR. RAIKHELSON: Really? I had Lasix
11:37 20 about ten years ago. I'm still seeing okay.

11:37 21 MR. ROESSNER: It's just up close I have
11:37 22 a hard time reading.

11:37 23 MR. RAIKHELSON: Oh, that's already age,
11:37 24 my friend.

11:37 25 MR. ROESSNER: That's what they told me.

11:37 1 THE WITNESS: They have a new one where
11:37 2 they put the -- what is it -- the contacts in your
11:37 3 eye and surgically put it. It's supposed to be a
11:37 4 little better than Lasix.

11:37 5 MR. RAIKHELSON: That sounds fun. That
11:37 6 sounds like a real procedure, like a real surgical
11:37 7 procedure. Lasix is like -- like nothing.

11:37 8 THE WITNESS: Well, the down size with
11:37 9 Lasix is that it wears away at the tissue, and this
11:37 10 is just kind of sitting on top of it permanently.

11:38 11 MR. RAIKHELSON: Right.

11:38 12 THE WITNESS: So it's replaceable and
11:38 13 adjustable. And I haven't done, either, obviously.
11:38 14 I still use glasses every day.

11:38 15 MR. ROESSNER: Here we go.

11:38 16 MR. RAIKHELSON: I'm just letting you
11:38 17 know, I only see four exhibits.

11:38 18 MR. ROESSNER: It's coming right here.

11:38 19 Okay. I'll mark as Exhibit 5.

11:38 20 (SEC Exhibit 5 was marked for
11:38 21 identification.)

11:38 22 MR. ROESSNER: Let me know when you're
11:38 23 able to see it, and I'll share my screen.

11:38 24 Andre, do you see it?

11:38 25 MR. RAIKHELSON: Is Exhibit 5 a

11:38 1 statement ending in 5/31/2023?

11:38 2 MR. ROESSNER: What'd you say?

11:38 3 MR. RAIKHELSON: Hold on. I'm trying to
11:38 4 pull it up.

11:38 5 Is it a document titled, Pages from SEC
11:39 6 USBE, dash, a whole bunch 0s, and a 1?

11:39 7 MR. ROESSNER: Yes. It's from the
11:39 8 account that we're looking at. And it is a March
11:39 9 28th document from USB.

11:39 10 MR. RAIKHELSON: Okay.

11:39 11 So, Joe, I just sent you an Email.

11:39 12 For the record, the subject of the Email
11:39 13 is, Deposition Exhibit 5. The attachment is what you
11:39 14 see on the screen, and the body contains absolutely
11:39 15 no text.

11:39 16 THE WITNESS: Oh, what is this? I see
11:39 17 it, yes.

11:39 18 BY MR. ROESSNER:

11:39 19 Q And this is a payment from the entity to
11:39 20 Andre?

11:39 21 A Yes. It's a wire confirmation, I believe,
11:39 22 or a wire detail.

11:40 23 Q Outside of Andre, are there any other
11:40 24 attorneys that work for the entity and perform
11:40 25 services?

11:40 1 A Yes.

11:40 2 MR. RAIKHELSON: Objection. Asked --

11:40 3 THE WITNESS: Sorry, Andre.

11:40 4 MR. RAIKHELSON: Give me a second.

11:40 5 THE WITNESS: Yeah. Sorry.

11:40 6 MR. RAIKHELSON: All right.

11:40 7 For the record, objection. Asked and

11:40 8 answers.

11:40 9 Mr. Barleta, you can answer the question

11:40 10 again.

11:40 11 THE WITNESS: Yeah. I mentioned Norman

11:40 12 Valz before.

11:40 13 BY MR. ROESSNER:

11:40 14 Q And is he the one that you said who

11:40 15 performs collection services?

11:40 16 MR. RAIKHELSON: Who is --

11:40 17 THE WITNESS: Yes.

11:40 18 MR. RAIKHELSON: Wait. Just one second.

11:40 19 Objection as to vague. Who are you

11:40 20 referring to as he? You're referring to me or

11:40 21 Mr. Valz?

11:40 22 MR. ROESSNER: Valz.

11:40 23 MR. RAIKHELSON: Okay.

11:40 24 Mr. Barleta, you can answer that

11:40 25 question.

11:40 1 THE WITNESS: Yes. Norm focuses on
11:40 2 collections for the business.

11:40 3 BY MR. ROESSNER:

11:40 4 Q How long has he worked for the entity?

11:41 5 A Until that -- whenever that payment was
11:41 6 made, so what was that? April sometime.

11:41 7 MR. RAIKHELSON: And let the record
11:41 8 reflect that Mr. Valz was also working for the entity
11:41 9 when the receiver had the entity for the purposes of
11:41 10 collection.

11:41 11 And, Mr. Cole, correct me if I'm wrong,
11:41 12 Mr. Barleta.

11:41 13 THE WITNESS: You're right. I believe
11:41 14 he was attorney of record with some of the files that
11:41 15 the company still had.

11:41 16 BY MR. ROESSNER:

11:41 17 Q And have all the files been returned to
11:41 18 the entity?

11:41 19 A The company is -- it's back in our
11:41 20 control; although, we can't do anything with it
11:41 21 currently.

11:42 22 Q I'm going to mark as Exhibit No. 5 another
11:42 23 statement. And I have it here.

11:42 24 THE COURT REPORTER: That should be 6.

11:42 25 MR. ROESSNER: Correct. Did I say 5?

11:42 1 Sorry.

11:42 2 MR. RAIKHELSON: You did.

11:42 3 (SEC Exhibit 6 was marked for
11:42 4 identification.)

11:42 5 BY MR. ROESSNER:

11:42 6 Q It's another wire transfer.

11:42 7 MR. RAIKHELSON: Hold on. Hold on. Is
11:42 8 this -- I'm just trying to pull it up. Is it wire
11:42 9 No. 6251, is that Exhibit No. 5 (sic)?

11:43 10 MR. ROESSNER: That's correct.

11:43 11 MR. RAIKHELSON: All right. So let
11:43 12 me -- give me a second. Let me download it, and let
11:43 13 me send that to my client. Deposition Exhibit 6.

11:43 14 So, Mr. Barleta, the -- I'm sending to
11:43 15 you -- one second, just to make sure I have it right.

11:43 16 I'm sending to you -- and I just sent
11:43 17 it -- and Email that says, Deposition Exhibit No. 6.
11:43 18 It has the attachment that has a wire number of 6251.
11:43 19 And the body has absolutely no text.

11:43 20 THE WITNESS: I see it. Yes, I have the
11:43 21 Email and the attachment.

11:43 22 BY MR. ROESSNER:

11:43 23 Q And this, we looked at this before, this
11:43 24 was to Actum Processing fifty-one thousand?

11:43 25 A That is correct.

11:43 1 Q And that's the ACH processor?

11:43 2 A That is correct.

11:43 3 Q And under the audit trail, it says the
11:44 4 reason, Delaware comp crude oil tanker. Do you see
11:44 5 that? It's on the left.

11:44 6 A Let me read it.

11:44 7 MR. RAIKHELSON: And I just want to
11:44 8 object to that because it's vague. The last wire
11:44 9 confirmation said the same thing.

11:44 10 THE WITNESS: I don't know. I don't
11:44 11 know why I'm missing it. Where is it?

11:44 12 BY MR. ROESSNER:

11:44 13 Q It's over on the left under the audit
11:44 14 trail. It says, Entered, verified, OFAC approved.

11:44 15 A Okay. I see that. Which line are you
11:44 16 asking me to read?

11:44 17 Q Reason, Delaware comp crude oil tanker, go
11:44 18 over to the next line.

11:44 19 A Oh, yeah. Yeah, I see that. Yeah.

11:44 20 Q What does that mean?

11:44 21 A I don't know. That's probably something
11:44 22 the bank left in there. Again, the purpose of the
11:44 23 Actum transfer was just to have the ACH monies paid to
11:44 24 note holders.

11:45 25 Q It had nothing to do with crude oil

11:45 1 tankers?

11:45 2 A No. No, we have nothing to do with that
11:45 3 whatsoever. I think that's probably just a bank error
11:45 4 or just something they left in there, especially the
11:45 5 last one, as Andre pointed out, also said that.

11:45 6 MR. RAIKHELSON: It seems to be -- it
11:45 7 seems to be kind of, I guess, an OFAC compliance,
11:45 8 something relating to OFAC compliance relating to
11:45 9 internal movement of money within the banking system
11:45 10 on the banking side.

11:45 11 BY MR. ROESSNER:

11:45 12 Q I want to go through entity's expenses.
11:45 13 What are the monthly expenses the entity has currently?

11:45 14 A Oh, currently, it's pretty small. They
11:45 15 have the accounting license expense currently, the
11:46 16 registered agent for the mail service and the virtual
11:46 17 office service that we have. I had a cell phone for
11:46 18 the business, but I canceled that because the employee,
11:46 19 obviously, is no longer working with it. I think
11:46 20 that's all the sort of fixed recurring expenses. We're
11:46 21 no longer paying Actum, or we're unable to because
11:46 22 there's no account to debit from. And the same goes
11:46 23 for ConvergHub, which, apparently, has our documents,
11:46 24 so that's sort of frozen right now, too, because we're
11:46 25 unable to pay for it because they normally debit that

11:46 1 from the account.

11:46 2 So that's, basically, it for the time
11:46 3 being. We could not ramp up any expenses. And,
11:46 4 obviously, there's no bank fees being charged because
11:46 5 there's no -- it's just frozen. They're not charging
11:47 6 us for that, either.

11:47 7 Q Does the entity own any vehicles?

11:47 8 A No.

11:47 9 Q Has it ever owned any vehicles?

11:47 10 A No, not to my knowledge.

11:47 11 Q Has it ever leased any vehicles for its
11:47 12 employees?

11:47 13 A No.

11:47 14 Q Does the entity have any tax liabilities?

11:47 15 A I'm not sure. That was one of the things
11:47 16 that we're looking to retain accounts on to figure out,
11:47 17 because on one hand, there's credits and debits the
11:47 18 receiver put in that we have to make heads and tails
11:47 19 from, and we honestly don't know what the net of that
11:47 20 is, if there's a liability or a credit currently
11:47 21 outstanding.

11:47 22 Q And presently does the entity owe money to
11:48 23 anyone?

11:48 24 A The note holders and maybe a couple of
11:48 25 vendors.

11:48 1 Q Sorry. How much does it owe to the note
11:48 2 holders?

11:48 3 A I don't have the specific number in front
11:48 4 of me.

11:48 5 Q Where would that information be kept?

11:48 6 A That would be in the accounting, in the
11:48 7 Quickbooks.

11:48 8 Q And that's held by your bookkeeping
11:48 9 company?

11:48 10 A Well, technically, it's held by Capital
11:48 11 Source. They own those assets. The bookkeeping
11:48 12 company only does the work on the asset. So Capital
11:48 13 Source has it.

11:48 14 Q And what vendors would it owe money to?
11:48 15 MR. RAIKHELSON: Objection. The
11:48 16 question's asked and answered, but you can answer it
11:49 17 again.

11:49 18 THE WITNESS: So just the ones I
11:49 19 mentioned, you know, Actum, ConvergHub. These are
11:49 20 servicing companies relating to -- to Capital Source.

11:49 21 BY MR. ROESSNER:

11:49 22 Q Does the entity owe any money to you?

11:49 23 A Yeah. I mean, we were supposed to cover
11:49 24 expenses, so I paid for a lot of the employees, you
11:49 25 know, Kiandra's salary for a few months after the

11:49 1 account was froze. I did that out of my own pocket
11:49 2 without the company reimbursing me for it. Yeah.

11:49 3 Q And does it owe money to Mr. Bromley?

11:49 4 A Only through a note. I don't think
11:49 5 there's any like vendor payments or anything he needs
11:49 6 to be reimbursed from.

11:49 7 Q Do you know the amount of his note?

11:49 8 A It's still about what I said earlier as
11:49 9 far as the funds that he had owed. So I think that's
11:50 10 the amount I provided you was about half a million to a
11:50 11 million, something like that.

11:50 12 Q Do you have a note with the company?

11:50 13 MR. RAIKHELSON: Objection. Asked and
11:50 14 answered. That exact question was asked and
11:50 15 answered.

11:50 16 THE WITNESS: No, I never had a note
11:50 17 with the company.

11:50 18 BY MR. ROESSNER:

11:50 19 Q And what's the total amount that the
11:50 20 company owes you in expenses?

11:50 21 A It's not a lot. I mean, less than ten
11:50 22 thousand dollars probably.

11:50 23 Q Has the entity borrowed money from any
11:50 24 bank or other institution in the past five years?

11:50 25 A No.

11:50 1 Q Aside of the note holders, does the entity
11:51 2 owe anyone else any money?

11:51 3 A Just what I mentioned earlier with
11:51 4 vendors, and, I guess, Bill and me.

11:51 5 Q The frozen funds, what would happen to the
11:51 6 frozen funds if the asset freeze were lifted?

11:51 7 A We would resume operations. I would make
11:51 8 up for the payments missed to note holders under the
11:51 9 agreements we have with them. That would be our
11:51 10 priority for use of those funds.

11:51 11 The second use of the funds would go
11:51 12 towards resuming reconciliation and accounting so we
11:51 13 can get those tax returns due next month filed and get
11:51 14 that all up to speed. And then we'd take it from
11:52 15 there, as far as, you now, servicing the rest of the
11:52 16 receivables, collecting on the existing debts.

11:52 17 And, again, it's been difficult and we're
11:52 18 in an awkward position with our clients because a lot
11:52 19 of them have been willing to pay us for the last
11:52 20 couples of months, and we haven't been able to receive
11:52 21 those monies from them. So I'm sure some of the monies
11:52 22 will be well spent in either rehiring collections
11:52 23 personnel or just resuming where we left off in those
11:52 24 negotiations, so that week can end up with more money
11:52 25 from the outstanding MCA receivables still owed.

11:52 1 Q And what was the last return that was
11:52 2 filed? Was it 2019?

11:52 3 A I'm not sure. I don't remember. Again, I
11:52 4 don't know if the receiver filed tax returns, either.

11:52 5 Q Are there any judgments entered against
11:52 6 the entity?

11:52 7 A I don't know. I'd have to talk about that
11:53 8 with Norm.

11:53 9 Q Does the entity have any judgments in its
11:53 10 favor?

11:53 11 A Same answer. I don't know.

11:53 12 MR. ROESSNER: All right. I don't think
11:53 13 I have much longer, but I just want to take another
11:53 14 ten-minute break, and we'll come back at noon and
11:53 15 wrap up.

11:53 16 Off the record.

11:53 17 THE VIDEOGRAPHER: The time is now 11:51
11:53 18 a.m. Going off the record.

12:04 19 (Whereupon, at 11:51 a.m., a short recess
12:04 20 was taken.)

12:13 21 THE VIDEOGRAPHER: The time is now 12:12
12:13 22 p.m. On the record.

12:13 23 MR. ROESSNER: You know, I've been
12:13 24 calling -- hi. Amie's back. Amie Berlin, trial
12:13 25 counsel with the SEC, is back on, and she has a mic

12:13 1 problem.

12:13 2 BY MR. ROESSNER:

12:13 3 Q So we are back on. You understand you're
12:13 4 still under oath and required to testify truthfully?

12:14 5 A Yes.

12:14 6 Q So I want to just get an understanding,
12:14 7 what is CS 2000 doing presently?

12:14 8 A We are trying to get our accounts
12:14 9 unfrozen, so we can resume business and pay note
12:14 10 holders.

12:14 11 Q Has CS 2000 raised any funds this year
12:14 12 from investors?

12:14 13 A No, absolutely not. I have an agreement
12:14 14 with the SEC to never touch any kind of note holder
12:14 15 money ever again, and I intend to abide by that.

12:14 16 Q And how much does CS 2000 owe investors
12:14 17 presently?

12:14 18 A I'd have to verify on the accounting.

12:14 19 Q I request that information.

12:14 20 And has Joseph LaForte ever been involved
12:14 21 in CS 2000?

12:14 22 A Joe LaForte? No.

12:15 23 Q So has CS 2000 received any funds at all
12:15 24 this year?

12:15 25 A It collected on some --

12:15 1 MR. RAIKHELSON: Hold on. Hold on.

12:15 2 Hold on.

12:15 3 Objection as to what you mean by

12:15 4 received.

12:15 5 But you can answer the question.

12:15 6 THE WITNESS: Yeah. Just as I was

12:15 7 explaining earlier, the receiver was collecting on

12:15 8 the MCA agreements of the company and has received

12:15 9 funds this year. We have funds in limbo that we're

12:15 10 trying to collect from these MCA agreements, as well,

12:15 11 but have been unable to deposit these accounts -- or

12:15 12 these funds due to the frozen account and then pay

12:15 13 off various merchants.

12:15 14 BY MR. ROESSNER:

12:15 15 Q And can you explain the modification of
12:15 16 the promissory notes that was attached to a motion
12:15 17 recently?

12:15 18 A Yes, I can explain it.

12:16 19 Q Go ahead.

12:16 20 A In regards, I guess, specifically what are
12:16 21 you looking to know?

12:16 22 Q What was the purpose of the modification
12:16 23 of the promissory notes?

12:16 24 A It's to come to an agreement with the
12:16 25 existing note holders that we have the intention to

12:16 1 repay their outstanding notes given the limited
12:16 2 resources and real destruction to the company's overall
12:16 3 value and assets being in receivership for about three
12:16 4 years. So it broke out the terms of the repayment as
12:16 5 far as when and how much and our intentions to do so
12:16 6 and the start date for those agreements.

12:16 7 Q And what were the start dates to the
12:16 8 agreements?

12:16 9 A They're reflected on the individual notes
12:16 10 for each of the agreements. If you're asking me when
12:17 11 we started paying note holders, that was earlier this
12:17 12 year. I believe it was in April that the first
12:17 13 payments went out.

12:17 14 Q And what account were those payments made
12:17 15 from?

12:17 16 A That was the Actum transfer that we went
12:17 17 over a couple of times. So those went to that, so the
12:17 18 ACH distributions could be paid to note holders.

12:17 19 Q So where would I get the list of all the
12:17 20 note holders that were paid?

12:17 21 A I mean, that would have to be reconciled
12:17 22 in the accounting, but it has not been done so yet,
12:17 23 again, given the issues with the freeze and everything.

12:17 24 Q Would Actum have the list of the note
12:17 25 holders that were paid?

12:17 1 A No. They just have the processing. I
12:17 2 have a separate spreadsheet that I keep track of that
12:17 3 on.

12:17 4 Q And what -- what software is this? Is it
12:17 5 an Excel spreadsheet?

12:18 6 A Yes. It's just a regular spreadsheet.

12:18 7 Q Going back to the entities, are there any
12:18 8 other assets that the entity has that we haven't
12:18 9 discussed today?

12:18 10 A Any assets that -- I don't remember
12:18 11 everything we discussed today, but I believe we covered
12:18 12 the majority of the assets, again, what's at the bank.
12:18 13 I think that should be it, yeah.

12:18 14 Q Does the entity have any brokerage
12:18 15 accounts?

12:18 16 A No. There's no brokerage or investment
12:18 17 accounts for this company.

12:18 18 Q And does it own or have a financial
12:18 19 ownership interest in any corporate stock?

12:18 20 A No, it does not.

12:18 21 Q Has it ever owned any brokerage accounts?

12:18 22 A No, not that I -- no.

12:19 23 Q And I think I asked before, but does it
12:19 24 ever -- does it have any credit cards?

12:19 25 A No, it does not. Just the debit cards to

12:19 1 that frozen account.

12:19 2 Q And does the entity owe you any money
12:19 3 besides the expenses you mentioned before?

12:19 4 A No, just that, what I'd mentioned before.

12:19 5 Q Does the entity have any safe deposit
12:19 6 boxes?

12:19 7 A No.

12:19 8 Q Outside of the money we discussed today,
12:19 9 does it receive any periodic payments of any sort?

12:19 10 A I mean, there's supposed to be payment
12:19 11 agreements. So to go back to a question before the
12:19 12 break, we did have installment agreements that the
12:20 13 receiver put into place with some of our MCA clients,
12:20 14 and there's judgments outstanding in our favor that
12:20 15 we're collecting on from those payments, and some of
12:20 16 those are supposed to be regularly sent, I believe, on
12:20 17 a monthly basis and some of them were supposed to be
12:20 18 done more frequently than that, but, again, we haven't
12:20 19 been able to receive those periodic payments because of
12:20 20 the freeze and this issue that we're trying to
12:20 21 reconcile.

12:20 22 Q Do you know the amount of the installment
12:20 23 agreements?

12:20 24 A It was just a few thousand a month. It
12:20 25 couldn't've been more than that. But, again, we were

12:20 1 trying to increase that by contacting and collecting
12:20 2 from additional merchants.

12:20 3 Q Does the entity have an interest in any
12:20 4 type of trusts?

12:20 5 A No, it does not.

12:20 6 Q Any judgments in its favor?

12:20 7 A Yeah. Just like I mentioned, earlier I
12:20 8 said I wasn't sure, but there's definitely outstanding
12:21 9 judgments in its favor that it's intending to collect
12:21 10 from, notably from Norm Valz, to establish those
12:21 11 regular payments that we're trying to get with our
12:21 12 merchants.

12:21 13 MR. ROESSNER: I have no further
12:21 14 questions.

12:21 15 MR. RAIKHELSON: I have a few.

12:21 16 EXAMINATION

12:21 17 BY MR. RAIKHELSON:

12:21 18 Q All right. Let me see if I can share my
12:21 19 screen.

12:21 20 Before we do that, Mr. Barleta, do you
12:21 21 remember earlier when Mr. Roessner said that he
12:21 22 disagrees -- and I'm going to paraphrase him -- that he
12:21 23 disagrees that Capital Source is not subject to
12:22 24 collections?

12:22 25 A Yes.

12:22 1 Q Okay.

12:22 2 Let me share my screen with you.

12:22 3 MR. ROESSNER: Andre, I'm just going to
12:22 4 object. This is a post-judgment discovery
12:22 5 deposition. I'm not sure what this is going into
12:22 6 regarding the assets for the individual or the
12:22 7 collection.

12:22 8 MR. RAIKHELSON: Well, I guess we'll
12:22 9 find out. Your objection is duly noted.

12:22 10 BY MR. RAIKHELSON:

12:22 11 Q Mr. Barleta, do you see this document on
12:22 12 the screen?

12:22 13 A Yes, I do. It's a little small, but,
12:22 14 yeah, I can see it.

12:22 15 MR. ROESSNER: I can't see it. If you
12:22 16 can send it to me. I can't see it.

12:22 17 I'm also going to object this is
12:22 18 hearsay, and I don't even see how it's relevant. So
12:22 19 I note the objections.

12:22 20 If you could just Email it to me, Andre,
12:22 21 because I can't see anything.

12:23 22 Now I can. All right. I can see it
12:23 23 now.

12:23 24 MR. RAIKHELSON: You can see it. Great.

25

12:23 1 BY MR. RAIKHELSON:

12:23 2 Q All right. Mr. Barleta, you can see it,
12:23 3 as well?

12:23 4 A Yeah. Again, it's just a little small.

12:23 5 Q Okay.

12:23 6 Can you read the title of this document?

12:23 7 A Order Granting Defendant Joseph Cole
12:23 8 Barleta's Unopposed Motion to Release Capital Source
12:23 9 2000 from the Receivership.

12:23 10 Q Okay.

12:23 11 And if we scroll all the way down, all the
12:23 12 way down, do you see a signature block?

12:23 13 A Not yet. It still shows the first page.

12:23 14 Q Okay. I guess it's behind a little bit.

12:23 15 A It's starting to move.

12:24 16 It's still kind of frozen. I don't see
12:24 17 the bottom that you're talking about.

12:24 18 Oh, there it is. Yeah. Yep, I see it.

12:24 19 Q And what does that signature block say?

12:24 20 A Rodolfo A. Ruiz, II, United States
12:24 21 District Judge.

12:24 22 Q And is that the district court judge
12:24 23 that's in this case?

12:24 24 A Yes.

12:24 25 Q Okay.

12:24 1 I'm going to scroll -- I'm going to scroll
12:24 2 to the first paragraph, and you let me know when it
12:24 3 gets there because, I guess, the scrolling is lagging a
12:24 4 little bit.

12:24 5 MR. ROESSNER: I'm just going to
12:24 6 continue my objection to relevance on this 30(b)(6)
12:24 7 deposition. To the extent that there's a question of
12:25 8 whether or not the SEC can seek funds from CS 2000 to
12:25 9 satisfy the Defendant's ability to pay or Defendant's
12:25 10 judgment, that will go before the court, and we'll
12:25 11 address that. I don't think any of these questions
12:25 12 are appropriate and not relevant to what we're doing
12:25 13 here right now. We understand your position --

12:25 14 MR. RAIKHELSON: Hold on, Mr. Roessner.
12:25 15 I prefer that we don't do speaking objections. Your
12:25 16 position is very clear. I'm assuming, even though
12:25 17 you say you're moving to strike my question, that
12:25 18 you're moving my question. It's all duly noted. I
12:25 19 appreciate your objection.

12:25 20 BY MR. RAIKHELSON:

12:25 21 Q Mr. Barleta, can you see the top where it
12:25 22 says, Order Granting Defendant, dot, dot, dot?

12:25 23 A It still hasn't moved on my end. It's
12:25 24 still showing the signature block.

12:25 25 Q Interesting.

12:26 1 We'll give it a minute, and if it doesn't
12:26 2 show up, I'll send a separate Email. I'll send this by
12:26 3 Email.

12:26 4 A Okay.

12:26 5 You might try re-sharing it, too. That
12:26 6 sometimes helps. Webex is a little bit more fickle
12:26 7 than Zoom in my experience.

12:26 8 Q Let's try that.

12:26 9 Can you see it?

12:26 10 THE VIDEOGRAPHER: Mr. Andre, I'm not
12:26 11 sure if you know, but you're just sharing your entire
12:26 12 screen instead of sharing the actual --

12:27 13 THE WITNESS: Yeah.

12:27 14 MR. RAIKHELSON: I mean, I clicked on
12:27 15 sharing the actual --

12:27 16 THE VIDEOGRAPHER: There you go.

12:27 17 THE WITNESS: Okay. I see it now.

12:27 18 Thanks.

12:27 19 BY MR. RAIKHELSON:

12:27 20 Q Okay. Great. All right.

12:27 21 Now, Mr. Barleta, do you see the
12:27 22 highlighted portion in green in the body of the order?

12:27 23 A Yes, I do see that.

12:27 24 Q Okay.

12:27 25 And would you agree with me that it says

12:27 1 that in your motion, "Barleta request that the court
12:27 2 carve from the receivership, including from any direct
12:27 3 or indirect coordination with or reporting obligations
12:27 4 to the receiver, Capital Source 2000"? Do you see it
12:27 5 says that?

12:27 6 A Yes.

12:27 7 MR. ROESSNER: I'm just going to restate
12:27 8 our objection. Hearsay and relevance and the
12:27 9 document speaks for itself. It's a court order. It
12:27 10 says what it says. And we'll address this in the
12:27 11 future if need be.

12:27 12 MR. RAIKHELSON: Okay.

12:27 13 BY MR. RAIKHELSON:

12:27 14 Q Is that what it says, Mr. Barleta?

12:28 15 A Yes, that's what it says.

12:28 16 Q All right.

12:28 17 And the next line, "The Securities and
12:28 18 Exchange Commission has represented that it does not
12:28 19 intend to seek satisfaction of any judgment against
12:28 20 Barleta based on Barleta's ownership interest in
12:28 21 Capital Source 2000 and has requested that the receiver
12:28 22 release Capital Source 2000 from the receivership." Is
12:28 23 that what it says?

12:28 24 MR. ROESSNER: Same objection.

12:28 25 THE WITNESS: Yes, that's what it says.

12:28 1 BY MR. RAIKHELSON:

12:28 2 Q Okay.

12:28 3 So to your knowledge, when you received
12:28 4 Capital Source 2000 back from the receivership, it was
12:28 5 done with the consent of the SEC?

12:28 6 A Yes, that is my understanding.

12:28 7 Q All right.

12:28 8 Would you agree with me that when you
12:29 9 received roughly two million dollars or two point one
12:29 10 million dollars, whatever that amount is, also with the
12:29 11 consent of the receiver --

12:29 12 THE COURT REPORTER: I'm sorry. You're
12:29 13 breaking up. Can you repeat the question? You're
12:29 14 being choppy.

12:29 15 MR. RAIKHELSON: Okay.

12:29 16 BY MR. RAIKHELSON:

12:29 17 Q Would you agree with me that when you
12:29 18 received roughly two point one million dollars back
12:29 19 from the SEC that was from the receiver, that was with
12:29 20 the consent of the SEC and the receivership?

12:29 21 MR. ROESSNER: I'm just going to object
12:29 22 that, one, its relevance. And object to hearsay.
12:29 23 Also, I couldn't hear the entire question because it
12:29 24 was also still garbled, so I'm going to object to the
12:29 25 form.

12:29 1 MR. RAIKHELSON: Okay. Let me try
12:29 2 something. Let me call from my phone -- can you hear
12:30 3 me now?

12:30 4 THE WITNESS: I can hear you.

12:30 5 MR. RAIKHELSON: Is this better?

12:30 6 MR. ROESSNER: Yes, I hear you, Andre.

12:30 7 MR. RAIKHELSON: All right. Great.

12:30 8 BY MR. RAIKHELSON:

12:30 9 Q I don't need to show that exhibit anymore,
12:30 10 so I'm hoping you can hear me better now.

12:30 11 But my question was this: Would you agree
12:30 12 with me that when you received back Capital Source 2000
12:30 13 and the funds, roughly two point one million dollars,
12:30 14 that that was done with the consent of the SEC and the
12:30 15 receivership?

12:30 16 MR. ROESSNER: Objection. Relevance and
12:30 17 hearsay.

12:30 18 BY MR. RAIKHELSON:

12:30 19 Q You can answer.

12:30 20 A Yes, I understand that it was with the
12:30 21 consent of the SEC and the receiver.

12:30 22 Q Okay.

12:30 23 Now, since you got the company back and
12:30 24 the money back from the SEC and from the
12:30 25 receivership -- or with the consent of the SEC and from

12:30 1 the receivership, have you issued any new notes?

12:31 2 A No, we have not issued any new notes.

12:31 3 Q Have you paid yourself any income
12:31 4 distribution?

12:31 5 A No, there have been no income
12:31 6 distributions paid to myself.

12:31 7 Q All right.

12:31 8 Have you -- what was the purpose of you
12:31 9 collecting on the judgments?

12:31 10 A The purpose of the collections on the
12:31 11 judgments was to have cash flows to repay note holders.

12:31 12 Q Would you agree with me that you're sole
12:31 13 purpose for when you received the company back, Capital
12:31 14 Source 2000 back, was to pay back note holders?

12:31 15 MR. ROESSNER: I'm just going to object
12:31 16 again on relevance.

12:31 17 BY MR. RAIKHELSON:

12:31 18 Q You can answer the question.

12:31 19 A I would say that's the main and primary
12:31 20 purpose along with, obviously, getting the company
12:32 21 cleaned up and in order as far as the accounting, but
12:32 22 that's the primary purpose. That's the overall reason
12:32 23 and our objective with why we -- with the actions we
12:32 24 took once receiving the company back.

12:32 25 Q And that's why you hired Norm and that's

12:32 1 why you hired the employee, Ms. Manlov, right?

12:32 2 A Yes.

12:32 3 MR. ROESSNER: I'm going object. This
12:32 4 is going way beyond the scope of this deposition.
12:32 5 It's going beyond the scope of the inquiry that I
12:32 6 had. And so this has nothing to do with a 30(b)(6)
12:32 7 Rule 69 deposition that this was the purpose of why
12:32 8 we took this deposition. And so if there's any
12:32 9 questions that relate to that, you can have any
12:32 10 redirect, but this is not related to that.

12:32 11 MR. RAIKHELSON: Mr. Roessner, are you
12:32 12 moving to strike or -- I have no idea what you're --

12:32 13 MR. ROESSNER: I am -- the questions
12:32 14 you're asking are outside the scope of this
12:32 15 deposition. This is a post-judgment deposition to
12:32 16 determine the ability of this Defendant to pay. And
12:32 17 so you're asking questions that are completely
12:33 18 beyond. And so I'm going to put an end to it now.

12:33 19 If you have any questions redirect regarding
12:33 20 questions I asked regarding his ability to pay
12:33 21 through the 30(b)(6), that's fine. Everything else
12:33 22 here is totally not appropriate in this deposition.

12:33 23 MR. RAIKHELSON: Look, Mr. Roessner,
12:33 24 here's the thing, I don't know if you can, quote,
12:33 25 unquote, put an end to it. You can move to strike.

12:33 1 I should have the ability to cross-examine my client.
12:33 2 If you believe my cross-examination --
12:33 3 MR. ROESSNER: No, not in a Rule 69.
12:33 4 This is a -- I just want to be clear, this is a Rule
12:33 5 69 deposition. This is not a fact finding
12:33 6 deposition. This is a Rule 69 post-judgment
12:33 7 deposition to determine this -- Mr. Barleta's ability
12:33 8 to pay the judgment through that entity. I
12:33 9 understand the point that you made with the order.
12:33 10 You are not -- this is not being governed by the
12:33 11 rules of discovery for pretrial. This is
12:33 12 post-judgment. And so the SEC has the ability to
12:33 13 determine the debtor's inability to pay or ability to
12:33 14 pay. You're going way beyond the scope of what Rule
12:33 15 69 permits.

12:33 16 MR. RAIKHELSON: Well, Mr. Roessner, are
12:34 17 you done? Can I finish? Because you just
12:34 18 interrupted me.

12:34 19 MR. ROESSNER: Sure.

12:34 20 MR. RAIKHELSON: Please don't interrupt
12:34 21 my.

12:34 22 So what I'm trying to say and what I was
12:34 23 saying is that you can't terminate the deposition
12:34 24 because if you have -- if you believe my questions
12:34 25 are improper, then you move to strike. You can seek

12:34 1 to get a protective order. There's a whole bunch of
12:34 2 things you can do. You can move for sanctions.
12:34 3 There's a whole bunch of things you can do, but you
12:34 4 can't simply terminate the deposition.

12:34 5 If you chose to, quote, unquote, end the
12:34 6 deposition, that's -- and you want to leave, that's
12:34 7 up to you, but I'm not going to dismiss the Court
12:34 8 Reporter. I want my questions asked. I want an
12:34 9 answer on the record. And then if you believe that
12:34 10 they're being used for an improper purpose or
12:34 11 whatever it is, we have a judge for that. We have a
12:34 12 magistrate judge for that. We have a whole case
12:34 13 about it. So, you know, although I appreciate your
12:34 14 position, and I appreciate the anger that you're
12:34 15 displaying, you haven't actually stated any kind of
12:34 16 motion besides, I'm unhappy in the way that Andre's
12:34 17 asking his questions --

12:35 18 MR. ROESSNER: No --

12:35 19 MR. RAIKHELSON: Just hold on, please.
12:35 20 I didn't interrupt you. I didn't interrupt you.
12:35 21 Please, please, please, please.

12:35 22 So if you have -- I asked you kindly,
12:35 23 please do not do a speaking objection. If you want
12:35 24 to terminate the deposition on your end, you're
12:35 25 welcome -- I can't force you to stay here, but I'm

12:35 1 going to keep on going. And if you have a motion to
12:35 2 strike or an objection, please state your motion as
12:35 3 required and state the reason for the motion -- for
12:35 4 your motion or objection or whatever it is, and then
12:35 5 we'll move on. And then that's it.

12:35 6 MR. ROESSNER: There's nothing to move
12:35 7 on. I'm going to object to the entire line of
12:35 8 questioning. This is a Rule 69 deposition. This is
12:35 9 not a deposition to determine the intent that this
12:35 10 Defendant had when there was a stipulation order
12:35 11 entered. This is regarding his ability to pay. And
12:35 12 everything you're doing now is going way beyond the
12:35 13 notice of this deposition and is totally
12:35 14 inappropriate. How about this? We take a lunch
12:35 15 break for half a hour. I'll go to my counsel and see
12:36 16 if we have to make some sort of motion to the court,
12:36 17 but let's take a half an hour break, and we'll
12:36 18 resume.

12:36 19 MR. RAIKHELSON: I don't want to do a
12:36 20 half an hour break. I have ten minutes of questions.
12:36 21 I want to get through --

12:36 22 MR. ROESSNER: I don't even want to go
12:36 23 through the ten minutes of questions if they're not
12:36 24 appropriate under this Rule 69 deposition. So let's
12:36 25 take a break, and we'll come back.

12:36 1 MS. RIGGLE-BERLIN: We're taking an
12:36 2 hour. I'm sorry. We need to take -- I need to take
12:36 3 a lunch break. It's 12:30. We're going to take a
12:36 4 one hour lunch break, and we'll resume at 1:30 p.m.
12:36 5 Okay?

12:36 6 MR. RAIKHELSON: You want to -- I have
12:36 7 ten minutes of questions, and you want to take an
12:36 8 hour lunch break.

12:36 9 MS. RIGGLE-BERLIN: You're taking a
12:36 10 cross-examination that's beyond the scope. In which
12:36 11 case, we'll be doing the redirect. And so the
12:36 12 deposition will continue if that's the direction it
12:36 13 goes. However, we're entitled to a lunch break. The
12:36 14 SEC noticed this deposition, and we're telling you
12:36 15 right now, we're taking a lunch break. It's 12:35,
12:36 16 and we will be back at 1:35.

12:37 17 MR. RAIKHELSON: You need an hour lunch
12:37 18 break? You need to have lunch for an hour? What are
12:37 19 you going to do for an hour? All right. Fine.

12:37 20 Wait. Wait. Hold on. Let me just put
12:37 21 this on the record. Just in case the judge reads
12:37 22 this, I don't want there to be any semblance of
12:37 23 improper conduct. You want to have an hour lunch
12:37 24 break, you're more than welcome to take an hour lunch
12:37 25 break and waste another hour. That's fine. I'm

12:37 1 putting on the record, I have ten minutes of -- the
12:37 2 questions that I have are ten minutes of questions.

12:37 3 Now, before we take a break, I want the
12:37 4 question that is pending to be answered before we
12:37 5 take a break. Once that question is answered, it's a
12:37 6 very simple question, we can take your one-hour lunch
12:37 7 break.

12:37 8 MR. ROESSNER: Let's take the break now,
12:37 9 and we'll come back --

12:37 10 MR. RAIKHELSON: No. I want the
12:37 11 question answered.

12:37 12 Madam Court Reporter, read back my last
12:37 13 substantive question. Let's have the Witness answer
12:37 14 it. And then if they want to take an hour lunch
12:37 15 break, they can take their hour lunch break. I hope
12:38 16 their lunches taste good. Let's do it.

12:38 17 THE COURT REPORTER: Okay. Give me one
12:38 18 second to find it.

12:38 19 I'm still looking.

12:38 20 MR. RAIKHELSON: Okay. You probably
12:38 21 have to get through all of Mr. Roessner's speaking
12:38 22 objections.

12:38 23 MR. ROESSNER: I don't appreciate the
12:38 24 characterization.

12:38 25 MR. RAIKHELSON: Oh, well.

12:38 1 MR. ROESSNER: I don't think it's
12:38 2 appropriate when the deposition is going beyond the
12:38 3 scope of what it was noticed for.

12:38 4 MR. RAIKHELSON: Mr. Roessner, that's
12:38 5 nonsense. I disagree with you.

12:38 6 (Whereupon, the Court Reporter read back
12:38 7 the question.)

12:38 8 BY MR. RAIKHELSON:

12:38 9 Q Yes or no?

12:38 10 MR. ROESSNER: Objection to relevance.

12:39 11 BY MR. RAIKHELSON:

12:39 12 Q You can answer.

12:39 13 A Yes, that's why they were hired, to work
12:39 14 on the collections and collecting on the judgments
12:39 15 outstanding for the company.

12:39 16 Q Perfect. All right.

12:39 17 MR. RAIKHELSON: You guys want to take
12:39 18 your one-hour lunch break?

12:39 19 MR. ROESSNER: Yeah. Let's go off the
12:39 20 record.

12:39 21 MR. RAIKHELSON: All right.

12:39 22 THE VIDEOGRAPHER: The time is now

12:39 23 12:37 p.m. We're going off the record.

12:39 24 (Whereupon, at 12:37 p.m., a lunch break
12:39 25 was taken.)

01:38 1 THE VIDEOGRAPHER: We're back on the
01:38 2 record. The time is now 1:37 p.m.

01:38 3 BY MR. ROESSNER:

01:39 4 Q So, Mr. Barleta, the SEC noticed this
01:39 5 deposition, and you were sworn in and required to
01:39 6 testify truthfully, right?

01:39 7 A Right.

01:39 8 Q And you still understand you have to
01:39 9 testify truthfully?

01:39 10 A Yes.

01:39 11 MR. ROESSNER: Now, this is a
01:39 12 post-judgment deposition to --

01:39 13 MR. RAIKHELSON: No. No. No. Hold on.
01:39 14 We're not going to get into that.

01:39 15 MR. ROESSNER: And I'm going to allow
01:39 16 your Counsel to continue redirect as long as the
01:39 17 questions are within the scope of the Notice of
01:39 18 Deposition and the initial inquiry.

01:39 19 So, Mr. Raikhelson, it's your -- your
01:39 20 Witness with those instructions.

01:39 21 MR. RAIKHELSON: Okay. Just for the
01:39 22 record, this is not a question about allowing counsel
01:39 23 to continue. I am cross-examining a Witness here,
01:39 24 and if -- Mr. Roessner, if you wish to move to strike
01:39 25 or do whatever you need to do after the deposition

01:39 1 and ask for court intervention, you're welcomed to do
01:39 2 so, but all of the questions that I've been asking
01:40 3 are within the scope of the questions that you asked.
01:40 4 So for that, I want to continue with the deposition.

01:40 5 And I would ask Madam Court Reporter to
01:40 6 tell me the last question and answer, so I can figure
01:40 7 out where I left off.

01:40 8 THE COURT REPORTER: Okay. Give me a
01:40 9 second to find it.

01:40 10 MR. RAIKHELSON: Uh-huh. I think you
01:40 11 read it before we on break. So before we went on
01:40 12 break, there was a question. There was an objection,
01:40 13 and then there was an answer.

01:40 14 THE COURT REPORTER: Right, but I don't
01:40 15 write down what I read while I'm reading, so I have
01:40 16 to go back to the original question, which way before
01:40 17 the arguments. Hold on.

01:40 18 (Whereupon, the Court Reporter read back
01:40 19 the question and answer.)

01:40 20 MR. RAIKHELSON: Okay. Perfect. I know
01:40 21 where we are now.

01:40 22 BY MR. RAIKHELSON:

01:41 23 Q Mr. Barleta, can you hear me okay?

01:41 24 A Yes, I can hear you.

01:41 25 Q Very well.

01:41 1 Now, everything that you've done since you
01:41 2 got back the company from the receiver with the consent
01:41 3 of the SEC has been in furtherance of paying note
01:41 4 holders, correct?

01:41 5 A Yes.

01:41 6 MR. ROESSNER: Objection. It's beyond
01:41 7 the scope the notice. Objection it's beyond the
01:42 8 scope of the direct examination. It's not relevant
01:42 9 to this deposition. Objection. And objection.
01:42 10 Hearsay.

01:42 11 MR. RAIKHELSON: Okay.

01:42 12 BY MR. RAIKHELSON:

01:42 13 Q You can answer.

01:42 14 A Yes, it's been to that end. We've been
01:42 15 trying to get note holders repaid.

01:42 16 Q Okay.

01:42 17 Now, earlier in this deposition you were
01:42 18 asked about various checks that you sent out as
01:42 19 expenses for Capital Source's day-to-day operations.
01:42 20 Do you remember those questions?

01:42 21 A Yes, I remember those questions.

01:42 22 Q Okay.

01:42 23 One of those checks was a -- check
01:42 24 payments to my office, Law Offices of Andre Raikhelson.
01:42 25 What was -- was the scope of your representation by the

01:42 1 Law Offices of Andre Raikhelson for the purposes of
01:42 2 those checks limited to work that the Law Offices of
01:42 3 Andre Raikhelson did for Capital Source 2000, or was it
01:42 4 extended towards any other litigation?

01:42 5 MR. ROESSNER: Objection to form.

01:42 6 BY MR. RAIKHELSON:

01:42 7 Q You can answer.

01:42 8 A It was for work with Capital Source 2000
01:43 9 exclusively.

01:43 10 Q Okay.

01:43 11 That payment didn't cover any other
01:43 12 litigation, correct?

01:43 13 A That's correct.

01:43 14 Q Okay.

01:43 15 Now, I want to talk to you about -- you
01:43 16 remember earlier in this deposition you talked about
01:43 17 your accounting entity? Do you remember that?

01:43 18 A Yes. I was asked about Helliz Abbwal, my
01:43 19 accounting entity.

01:43 20 Q Okay.

01:43 21 And whose decision was it to hire that
01:43 22 entity?

01:43 23 A Bill and I discussed overall strategy with
01:43 24 the business and costs and operations going forward,
01:43 25 especially with consideration to repaying note holders,

01:43 1 so we agreed to hiring my entity to do that work along
01:43 2 with the other decisions made.

01:43 3 Q Well, if another entity was hired, would
01:43 4 you agree with me those other entities would be
01:43 5 substantially more expensive?

01:43 6 MR. ROESSNER: Objection to form.
01:43 7 Objection to relevance, and it goes beyond the scope
01:43 8 of the direct.

01:43 9 BY MR. RAIKHELSON:

01:43 10 Q You can answer?

01:44 11 A Yeah. Yeah. I mean, they're, basically,
01:44 12 getting the house discount, if you will, as far as the
01:44 13 work being performed given the inordinate amount of
01:44 14 time the company is spending and I'm personally
01:44 15 spending on trying to get this thing back in order to
01:44 16 repay note holders. So, yes, that's a lot lower than
01:44 17 what a normal accounting firm or accountant would
01:44 18 charge to run the business.

01:44 19 Q Okay.

01:44 20 And just so I understand what you're
01:44 21 saying is, are you saying -- and correct me if I'm
01:44 22 wrong in my interpretation of your testimony, is that
01:44 23 the reason that you and Bill agreed to this kind of
01:44 24 mechanism was because you can charge substantially
01:44 25 lower and, therefore, more money would go to the note

01:44 1 holders; is that fair to say?

01:44 2 MR. ROESSNER: I'm going to object.

01:44 3 This is beyond the scope of this deposition. This
01:44 4 has nothing to do with this debtor's ability to pay.
01:44 5 I'm also going to object to the relevancy of this
01:44 6 question.

01:44 7 MR. RAIKHELSON: Okay.

01:44 8 BY MR. RAIKHELSON:

01:44 9 Q You can answer.

01:44 10 A Yes. The idea is that we're trying to
01:45 11 minimize operations expense and any cost for the
01:45 12 business to reasonably get back in shape, so we can run
01:45 13 the business to collect payments for the furtherance of
01:45 14 payments to note holders.

01:45 15 Q And would you agree with me that you would
01:45 16 have continued to pay note holders and continued,
01:45 17 therefore, to not pay yourself had the business not
01:45 18 been -- or had the account not been frozen?

01:45 19 MR. ROESSNER: Objection. Again, this
01:45 20 is beyond the scope of the notice, and the objection
01:45 21 is beyond the scope of the direct examination, and I
01:45 22 object that this is not relevant to the purposes of
01:45 23 this deposition.

01:45 24 BY MR. RAIKHELSON:

01:45 25 Q You can answer.

01:45 1 A Yeah. Like I told Mr. Roessner earlier,
01:45 2 if the accounts weren't frozen, we'd continue to
01:45 3 collect on the deals, so that we can pay note holders.

01:45 4 Q Okay. Perfect.

01:45 5 Now, I want to show you, since
01:45 6 Mr. Roessner brought this up and he keeps objecting to
01:45 7 the scope of the deposition, I want to bring up the
01:46 8 Notice of Deposition and the subpoena, and if you don't
01:46 9 have those documents, then I'll Email them to you.

01:46 10 A Is this the same document that we looked
01:46 11 at earlier?

01:46 12 Q Yes.

01:46 13 So I just sent you an Email. The Email
01:46 14 is, Deposition Exhibit 1 and 2. It has the deposition
01:46 15 Exhibit 1 and 2. And the body of that Email is
01:46 16 completely blank.

01:46 17 A Okay. I got the Email with both the two
01:46 18 exhibits that you're mentioning.

01:46 19 Q Okay.

01:46 20 I want you to open up the Email -- or I
01:46 21 want you to open up the attachment that is titled,
01:46 22 AO0888 30(b)(6).

01:46 23 A Yes, I have it open.

01:46 24 Q All right.

01:46 25 And would you agree with me that it says

01:47 1 that the deposition is of Capital Source 2000, correct?

01:47 2 A Yes. That's the one I confirmed
01:47 3 previously.

01:47 4 Q And it says, Place conducted via Webex,
01:47 5 right?

01:47 6 A Right.

01:47 7 Q And it has a date and time, correct?

01:47 8 A Yes.

01:47 9 Q It doesn't require you to produce any
01:47 10 documents, do you see that, where it says, production,
01:47 11 there's no check?

01:47 12 A Production is unchecked where it says, you
01:47 13 and your representatives must bring with you documents
01:47 14 in summary or objects or anything like that, yeah, I
01:47 15 see that not being checked off.

01:47 16 Q Okay. Very well.

01:47 17 And nothing in this document talks about
01:47 18 the scope of the deposition, correct?

01:47 19 A I have to review it.

01:47 20 No, it does not go into the scope of the
01:47 21 deposition. Do I have to read the whole federal civil
01:48 22 procedure page? It seems like a lot.

01:48 23 Q No. No. No. But --

01:48 24 A It wouldn't be in there.

01:48 25 Q I'm going to ask you a question about

01:48 1 that.

01:48 2 If you to go the third page, it talks
01:48 3 about Federal Rules of Civil Procedures 45C, D, E, and
01:48 4 G, correct?

01:48 5 A 45 -- yes, I see that.

01:48 6 Q Okay.

01:48 7 It doesn't say anything about Rule 69,
01:48 8 correct?

01:48 9 A No, I don't see anywheres on the page
01:48 10 where it says that.

01:48 11 Q Yeah, because it's not.

01:48 12 Okay. Let's go to the second document.

01:48 13 The second document is titled, Notice of Deposition

01:48 14 Rule 30(b)(6) Deposition of Capital Source 2000.

01:48 15 A Yes, I see that.

01:48 16 Q Okay.

01:49 17 Now, if we look at the topics of
01:49 18 deposition, that's on the second page, correct?

01:49 19 A Under matters of examination?

01:49 20 Q Yes, matters of examination.

01:49 21 A Yes.

01:49 22 Q Okay.

01:49 23 Do you believe that the questions on both
01:49 24 direct and cross-examinations were covered within the
01:49 25 matters for examination?

01:49 1 MR. ROESSNER: I'm going to object to
01:49 2 the relevance.

01:49 3 MR. RAIKHELSON: Okay.

01:49 4 BY MR. RAIKHELSON:

01:49 5 Q Go on. You can answer.

01:49 6 A Is the question, do I believe that we
01:49 7 covered these matters during the deposition today, like
01:49 8 what we discussed?

01:49 9 Q Well, let's kind of break it down. Do you
01:49 10 believe that anything that was asked in direct
01:49 11 examination was beyond these seven matters?

01:49 12 MR. ROESSNER: Same objection to
01:49 13 relevance.

01:50 14 THE WITNESS: I mean, they're, more or
01:50 15 less, in line with those matters. There were some
01:50 16 topics we got into that were a little bit more
01:50 17 personal, but it does say owners and beneficiaries of
01:50 18 CS 2000, so I guess that would cover it generally, if
01:50 19 that's the case.

01:50 20 BY MR. RAIKHELSON:

01:50 21 Q And you answered those questions and no
01:50 22 one told you not to answer those questions, correct?

01:50 23 A Yeah. I answered it to the best of my
01:50 24 ability from what I can remember and understand and
01:50 25 know.

01:50 1 Q Do you believe that the cross-examination
01:50 2 that you're undergoing right now fits within either the
01:50 3 matters for examination as listed one through seven or
01:50 4 within the scope of the direct examination?

01:50 5 MR. ROESSNER: I'm going to object again
01:50 6 to relevance.

01:50 7 THE WITNESS: I believe we covered these
01:50 8 topics earlier, and what you're asking me about are
01:50 9 the same topics, yes.

01:51 10 BY MR. RAIKHELSON:

01:51 11 Q Now, if we look at the deponent, the
01:51 12 deponent is Capital Source 2000, Inc., correct?

01:51 13 A That's my understanding, yes.

01:51 14 Q Okay.

01:51 15 Now, please correct me if I'm wrong,
01:51 16 because sometimes my eyes deceive me, Mr. Barleta, but
01:51 17 the deponent doesn't say Joe Cole Barleta, right?

01:51 18 A Yes, it doesn't say that on the first
01:51 19 attachment.

01:51 20 Q In fact, it doesn't say that anywhere?

01:51 21 A No, it doesn't say that.

01:51 22 MR. RAIKHELSON: So then I would move
01:51 23 for the record for any reference that this is an
01:51 24 examination of Joe Cole Barleta, I would move to
01:51 25 strike that as inconsistent with both the subpoena

01:51 1 that was issued and with the Notice of Deposition.

01:51 2 Okay.

01:52 3 MR. ROESSNER: Objection. We'll take
01:52 4 that under consideration. If there's a motion filed,
01:52 5 we'll respond appropriately.

01:52 6 MR. RAIKHELSON: Okay.

01:52 7 BY MR. RAIKHELSON:

01:52 8 Q Let's see. Currently, because of the
01:52 9 asset freeze, can Capital Source 2000 collect from any
01:52 10 of its clients?

01:52 11 MR. ROESSNER: Objection. Relevance.
01:52 12 Objection. Beyond the scope of the notice and beyond
01:52 13 the scope of this direct examination.

01:52 14 MR. RAIKHELSON: Duly noted.

01:52 15 BY MR. RAIKHELSON:

01:52 16 Q You can answer.

01:52 17 A No, we're not able to successfully collect
01:52 18 monies from our clients because of the freeze.

01:52 19 Q Okay.

01:52 20 Because of the asset freeze, can Capital
01:52 21 Source pay any of its note holders?

01:52 22 MR. ROESSNER: Objection. Beyond the
01:52 23 scope of the notice. And objection. Beyond direct
01:53 24 examination. And also objection to relevance.

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01:53 1 BY MR. RAIKHELSON:

01:53 2 Q You can answer.

01:53 3 A No, we're unable to pay our note holders.

01:53 4 Q Had the asset freeze not entered into
01:53 5 place, would Capital Source have been both able to
01:53 6 collect from its clients and pay its note holders?

01:53 7 MR. ROESSNER: Again, objection. It's
01:53 8 beyond the scope of this deposition. And I'm going
01:53 9 to object to the relevance of this hypothetical.

01:53 10 THE WITNESS: Yes, we would have been
01:53 11 able to. We were continuing to up until the freeze.

01:53 12 BY MR. RAIKHELSON:

01:53 13 Q Well, that's actually what I was going to
01:53 14 ask you. Mr. Roessner said that my question was a
01:53 15 hypothetical. My question isn't a hypothetical because
01:53 16 Capital Source, before the asset freeze, was paying its
01:53 17 note holders and was collecting from its clients,
01:53 18 correct?

01:53 19 MR. ROESSNER: Objection. Relevance.

01:53 20 BY MR. RAIKHELSON:

01:53 21 Q You can answer.

01:53 22 A Yes, that's precisely right. We were
01:53 23 collecting from our clients. We hired people to do so.
01:54 24 We were making regular payments, as I confirmed
01:54 25 earlier, through Actum to the note holders for the ACH

01:54 1 payments to them, and they were receiving their
01:54 2 payments in accordance with the agreements in place.

01:54 3 Q And is it true that every action that you
01:54 4 and Bill took within Capital Source 2000 was done with
01:54 5 review of counsel to make sure that you didn't -- that
01:54 6 you complied with the laws, as well as complied with
01:54 7 your agreements with the SEC?

01:54 8 MR. ROESSNER: Objection. It's beyond
01:54 9 the scope of the notice. Objection. It's beyond the
01:54 10 scope of the direct. Objection to relevance. And
01:54 11 also objecting to form.

01:54 12 THE WITNESS: Yes. We consulted counsel
01:54 13 regularly and consistently before taking any actions,
01:54 14 especially with communications to note holders and
01:54 15 the repayments of the agreements that we worked with
01:54 16 counsel on.

01:54 17 BY MR. RAIKHELSON:

01:54 18 Q And would you agree with me that it did
01:54 19 make sense for you to do that because you didn't want
01:55 20 to violate any laws and you didn't want to breach your
01:55 21 agreement with the SEC?

01:55 22 MR. ROESSNER: Objection. That's beyond
01:55 23 the notice of this deposition. And I'm going to
01:55 24 object to relevancy.

01:55 25 MR. RAIKHELSON: Right.

01:55 1 BY MR. RAIKHELSON:

01:55 2 Q You can answer.

01:55 3 A That's correct. I wanted to be in
01:55 4 compliance with the agreements as established both with
01:55 5 me and the SEC and, obviously, what we're working on
01:55 6 with the note holders.

01:55 7 Q And, obviously, you never made any
01:55 8 decision solely; you consulted with Bill, as well,
01:55 9 correct?

01:55 10 MR. ROESSNER: Objection to relevance
01:55 11 and beyond the scope of this deposition.

01:55 12 THE WITNESS: Yes. Everything that was
01:55 13 done in the company Bill and I discussed and were on
01:55 14 the same page with regards to note holder repayments,
01:55 15 decisions as far as how to proceed with the
01:55 16 operations of the business, vendors that we paid, and
01:55 17 the overall game plan with how we were to resume
01:56 18 running the business once we received it back from
01:56 19 the receiver.

01:56 20 BY MR. RAIKHELSON:

01:56 21 Q And the only thing that either Joe Cole
01:56 22 Barleta or Bill Bromley got as it pertains to income
01:56 23 distributions or any part of income distributions were
01:56 24 essentially repayment of various expenses; is that fair
01:56 25 to say?

01:56 1 A I mean, that's not a distribution. Those
01:56 2 are just costs incurred on behalf of the company. We,
01:56 3 basically, used our own personal means to pay for that.
01:56 4 That was actually costs relating to the business.

01:56 5 Q Fair enough. Thank you for correcting.
01:56 6 Fair enough. Okay.

01:56 7 MR. RAIKHELSON: Well, I probably am
01:56 8 done. Let's take a three-minute break. I want to
01:56 9 check my notes, and then we'll -- let's take a
01:56 10 five-minute break. It's 1:55. Let's come back at
01:56 11 2:00, but I'm pretty sure I'm done.

01:56 12 THE VIDEOGRAPHER: Okay. The time is
01:56 13 now 1:55 p.m. Going off the record.

01:57 14 (Whereupon, at 1:55 p.m., a short recess
01:57 15 was taken.)

02:01 16 THE VIDEOGRAPHER: Go back on the
02:01 17 record. The time is now 1:59 p.m.

02:01 18 MR. RAIKHELSON: Now that we're back
02:01 19 on --

02:01 20 MR. ROESSNER: Mr. Raikhelson, hold on.
02:01 21 This is the SEC's deposition. I'm going to do the
02:01 22 same format we've been doing throughout.

02:01 23 BY MR. ROESSNER:

02:01 24 Q So, Mr. Barleta, we just had a break. You
02:01 25 understand you're still under oath, right?

02:01 1 A Yes, I do.

02:01 2 Q And you still have a duty to testify
02:01 3 truthfully, right?

02:01 4 A That's right.

02:01 5 MR. ROESSNER: Now, Mr. Raikhelson, if
02:01 6 you have any further questions, can you go forward
02:01 7 now.

02:01 8 MR. RAIKHELSON: Okay. So I just want
02:01 9 to put on the record, although this is the SEC's
02:01 10 noticed deposition, the SEC is not in, quote,
02:01 11 unquote, control of the deposition. The individual
02:02 12 asking the questions is in control of the deposition.
02:02 13 So just like a trial, just like a -- just like an
02:02 14 affirmative defenses, when a witness is turned over
02:02 15 to the opposing side, the opposing side controls the
02:02 16 tempo and the scope of the questions pending any
02:02 17 objections in which the court makes a decision and
02:02 18 calls balls or strike. So --

02:02 19 MR. ROESSNER: I'm just going to object
02:02 20 to that statement, but do you have any further
02:02 21 questions? Or the SEC will continue.

02:02 22 MR. RAIKHELSON: It's not an objection.
02:02 23 But here's what I want to do, I want to move to
02:02 24 strike all of the speaking objection that
02:02 25 Mr. Roessner has put forth. I gave Mr. Roessner the

02:02 1 opportunity and option to convert his speaking
02:02 2 objections to a motion to strike, which would be
02:02 3 legally sound, and he has refused to do so, so I move
02:02 4 to strike on that regard. And I move to strike this
02:02 5 whole motion that this is the, quote, unquote, SEC's
02:02 6 deposition and that we're going to control the flow
02:02 7 and tempo.

02:02 8 At this point, I don't have any further
02:02 9 questions for Mr. Barleta. And I -- we'll read, and
02:03 10 we want to order a copy.

02:03 11 MR. ROESSNER: Okay. Thank you. We'll
02:03 12 respond to any motions that are made.

02:03 13 We are ending today, but we'll keep the
02:03 14 deposition open and reconvene if necessary to take
02:03 15 direct.

02:03 16 We are off the record.

02:03 17 MR. RAIKHELSON: Well, hold on. I want
02:03 18 to go back on the record.

02:03 19 THE VIDEOGRAPHER: We're still on the
02:03 20 record. I'm sorry.

02:03 21 MR. RAIKHELSON: On the record. We're
02:03 22 not going to do this, we are going to reconvene for a
02:03 23 later date keeping my client under oath. If you
02:03 24 choose to not cross-exam, that is your option. If
02:03 25 you choose to end the deposition today, that

02:03 1 deposition, it's over, and if you want to re-notice
02:03 2 some other deposition, we'll go through that, but
02:03 3 it's not going to be a situation where -- and I
02:03 4 object to any proposition where my client is going to
02:03 5 be kept under oath for an indefinite amount of time.
02:03 6 That's just never going to happen. I mean, it's
02:03 7 never going to happen.

02:03 8 MR. ROESSNER: I understand your
02:03 9 deposition. We're ending today. We're going to keep
02:03 10 the deposition open and reconvene if necessary to
02:03 11 take redirect. The matters that were brought forth
02:04 12 were beyond the scope, and we'll determine if we need
02:04 13 to take redirect.

02:04 14 The deposition ends. So, Court
02:04 15 Reporter, if you can end the deposition now. Thank
02:04 16 you.

02:04 17 MR. RAIKHELSON: Madam Court Reporter,
02:04 18 before you end the deposition, if -- I am objecting
02:04 19 to keeping the deposition going, and I am terminating
02:04 20 the deposition. If there are no questions on
02:04 21 redirect, I am terminating the deposition. This
02:04 22 deposition is over. My client is no longer under
02:04 23 oath. Thank you.

02:04 24 MR. ROESSNER: The SEC again states, the
02:04 25 deposition will be kept open if necessary, and that's

02:04 1 the end, so thank you.

02:04 2 MR. RAIKHELSON: Nonsense.

02:04 3 THE VIDEOGRAPHER: Okay. If that's all,

02:04 4 September 20th, 2023. The time is now 2:03 p.m.

02:04 5 completing today's deposition of Joe Cole Barleta.

02:04 6 Off the record.

02:05 7 (Whereupon, at 2:03 p.m., the proceeding

8 was concluded.)

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CERTIFICATE OF WITNESS

I, JOSEPH BARLETA COLE, do hereby declare under penalty of perjury that I have read the entire foregoing transcript of my deposition testimony, or the same has been read to me, and certify that it is a true, correct and complete transcript of my testimony given on September 29, 2023, save and except for changes and/or corrections, if any, as indicated by me on the attached Errata Sheet, with the understanding that I offer these changes and/or corrections as if still under oath.

_____ I have made corrections to my deposition.

_____ I have NOT made any changes to my deposition.

Signed: _____
JOSEPH BARLETA COLE 30(b)(6)

Dated this _____ day of _____ of 20____.

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REPORTER'S CERTIFICATE

STATE OF FLORIDA)
) ss
COUNTY OF MIAMI-DADE)

I, BRIGITTE ROTHSTEIN, a duly stenograph court reporter in and for the State of Florida, do hereby certify:

That I reported the taking of the VTC videotaped deposition of the Witness, JOSEPH BARLETA COLE, at the time aforesaid;

That prior to being examined, the Witness was by me duly sworn in to testify to the truth, the whole truth, and nothing but the truth;

That I thereafter transcribed my shorthand notes into typewriting and that the typewritten transcript of said VTC deposition is a complete, true, and accurate record of the proceedings to the best of my ability.

I further certify that (1) I am not a relative, employee, or independent contractor of counsel of any of the parties; nor a relative, employee, or independent contractor of the parties involved in said action; nor a person financially interested in the action; nor to I have any other relationship with any of the parties or with counsel of any of the parties involved in the action that may reasonably cause my impartiality to be questioned; and (2) that transcript review was requested.

IN WITNESS WHEREOF, I have hereunto set my hand in the County of Miami-Dade, State of Florida, this 28th day of September 2023.



BRIGITTE ROTHSTEIN, STENOGRAPHER

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ERRATA SHEET

30(b)(6) Deposition of: JOSEPH BARLETA COLE
Date taken: SEPTEMBER 20, 2023
Case: SEC v. COMPLETE BUSINESS SOLUTIONS GROUP, et al.

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Signed _____

Dated _____